QUARTERLY REPORT

30 June 2018

BMW GROUP

THE NEXT 100 YEARS

Rolls-Royce
Motor Cars Limited

CONTENTS

1
BMW GROUP AT A GLANCE

2
INTERIM GROUP MANAGEMENT REPORT

3
INTERIM GROUP FINANCIAL STATEMENTS

4
OTHER INFORMATION

BMW GROUP AT A GLANCE

1

BMW GROUP IN FIGURES

Key performance indicators reported during the year

→ 01

		2nd quarter 2018	2nd quarter 2017	Change in %
GROUP				
Profit before tax[1]	€ million	2,873	3,058	– 6.0
Workforce[2] (at 30 June 2018 / 31 December 2017)		131,636	129,932	1.3
AUTOMOTIVE SEGMENT				
Deliveries[3]	units	637,878	633,582	0.7
Revenues[1]	€ million	22,192	22,165	0.1
EBIT margin[1,4]	% (change in %pts)	8.6	10.1	–1.5
MOTORCYCLES SEGMENT				
Deliveries	units	51,117	52,753	– 3.1
EBIT margin[1,4]	% (change in %pts)	14.9	15.0	– 0.1

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.
[3] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 106,944 units, 2017: 96,794 units).
[4] Profit before financial result as percentage of segment revenues.

Further performance figures

→ 02

		2nd quarter 2018	2nd quarter 2017	Change in %
AUTOMOTIVE SEGMENT				
Deliveries				
BMW[1]	units	541,849	534,585	1.4
MINI	units	95,055	98,155	–3.2
Rolls-Royce	units	974	842	15.7
Total[1]		**637,878**	**633,582**	**0.7**
Production volume				
BMW[2]	units	550,768	517,791	6.4
MINI	units	100,971	95,962	5.2
Rolls-Royce	units	1,242	782	58.8
Total[2]		**652,981**	**614,535**	**6.3**
MOTORCYCLES SEGMENT				
Production volume	units	46,724	51,086	–8.5
FINANCIAL SERVICES SEGMENT				
New contracts with retail customers		480,303	468,603	2.5
Free cash flow Automotive segment	€ million	1,642	436	–
Group revenues[3]	€ million	**25,023**	**25,765**	**–2.9**
Automotive[3]	€ million	22,192	22,165	0.1
Motorcycles[3]	€ million	658	695	–5.3
Financial Services	€ million	7,141	7,044	1.4
Other Entities	€ million	1	1	–
Eliminations[3]	€ million	–4,969	–4,140	–20.0
Group profit before financial result (EBIT)[3]	€ million	**2,746**	**2,932**	**–6.3**
Automotive[3]	€ million	1,919	2,244	–14.5
Motorcycles[3]	€ million	98	104	–5.8
Financial Services	€ million	607	588	3.2
Other Entities	€ million	7	8	–12.5
Eliminations[3]	€ million	115	–12	–
Group profit before tax (EBT)[3]	€ million	**2,873**	**3,058**	**–6.0**
Automotive[3]	€ million	2,062	2,391	–13.8
Motorcycles[3]	€ million	96	103	–6.8
Financial Services	€ million	605	589	2.7
Other Entities	€ million	8	23	–65.2
Eliminations[3]	€ million	102	–48	–
Group income taxes[3]	€ million	**–784**	**–841**	**6.8**
Profit from continuing operations	€ million	**2,089**	**2,217**	**–5.8**
Loss from discontinued operations	€ million	–7	–	–
Group net profit[3]	€ million	**2,082**	**2,217**	**–6.1**
Earnings per share[3, 4]	€	**3.13 / 3.14**	**3.34 / 3.35**	**–6.3 / –6.3**
Group pre-tax return on sales[3, 5]	% (change in %pts)	**11.5**	**11.9**	**–0.4**

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 106,944 units, 2017: 96,794 units).
[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 103,703 units, 2017: 84,883 units).
[3] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[4] Common / preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.
[5] Group profit before tax as a percentage of Group revenues.

BMW GROUP IN FIGURES

Key performance indicators reported during the year

→ 03

		1 January to 30 June 2018	1 January to 30 June 2017	Change in %
GROUP				
Profit before tax[1]	€ million	**6,038**	6,238	−3.2
Workforce[2] (at 30 June 2018/31 December 2017)		**131,636**	129,932	1.3
AUTOMOTIVE SEGMENT				
Deliveries[3]	units	**1,242,507**	1,220,819	1.8
Revenues[1]	€ million	**41,518**	42,166	−1.5
EBIT margin[1,4]	% (change in %pts)	**9.2**	9.8	−0.6
MOTORCYCLES SEGMENT				
Deliveries	units	**86,975**	88,389	−1.6
EBIT margin[1,4]	% (change in %pts)	**14.8**	17.4	−2.6

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] Figures exclude suspended contracts of employment, employees in the non-work phases of pre-retirement part-time arrangements and low income earners.
[3] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 215,218 units, 2017: 186,966 units).
[4] Profit before financial result as percentage of segment revenues.

Further performance figures

→ 04

		1 January to 30 June 2018	1 January to 30 June 2017	Change in %
AUTOMOTIVE SEGMENT				
Deliveries				
BMW[1]	units	1,059,296	1,038,030	2.0
MINI	units	181,430	181,214	0.1
Rolls-Royce	units	1,781	1,575	13.1
Total[1]		**1,242,507**	**1,220,819**	**1.8**
Production volume				
BMW[2]	units	1,111,412	1,066,966	4.2
MINI	units	202,781	193,861	4.6
Rolls-Royce	units	2,121	1,637	29.6
Total[2]		**1,316,314**	**1,262,464**	**4.3**
MOTORCYCLES SEGMENT				
Production volume	units	88,008	105,552	–16.6
FINANCIAL SERVICES SEGMENT				
New contracts with retail customers		932,211	934,237	–0.2
Free cash flow Automotive segment	€ million	1,944	2,035	–4.5
Group revenues[3]	€ million	**47,717**	**49,691**	**–4.0**
Automotive[3]	€ million	41,518	42,166	–1.5
Motorcycles[3]	€ million	1,182	1,315	–10.1
Financial Services	€ million	13,815	14,090	–2.0
Other Entities	€ million	3	3	–
Eliminations[3]	€ million	–8,801	–7,883	–11.6
Group profit before financial result (EBIT)[3]	€ million	**5,479**	**5,753**	**–4.8**
Automotive[3]	€ million	3,800	4,121	–7.8
Motorcycles[3]	€ million	175	229	–23.6
Financial Services	€ million	1,176	1,192	–1.3
Other Entities	€ million	16	12	33.3
Eliminations[3]	€ million	312	199	56.8
Group profit before tax (EBT)[3]	€ million	**6,038**	**6,238**	**–3.2**
Automotive[3]	€ million	4,343	4,676	–7.1
Motorcycles[3]	€ million	174	228	–23.7
Financial Services	€ million	1,166	1,184	–1.5
Other Entities	€ million	78	19	–
Eliminations[3]	€ million	277	131	–
Group income taxes[3]	€ million	**–1,648**	**–1,747**	**5.7**
Profit from continuing operations	€ million	**4,390**	**4,491**	**–2.2**
Loss from discontinued operations	€ million	–7	–	–
Group net profit[3]	€ million	**4,383**	**4,491**	**–2.4**
Earnings per share[3,4]	€	**6.60 / 6.61**	**6.79 / 6.80**	**–2.8 / –2.8**
Group pre-tax return on sales[3,5]	% (change in %pts)	**12.7**	**12.6**	**0.1**

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 215,218 units, 2017: 186,966 units).
[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 210,974 units, 2017: 183,598 units).
[3] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[4] Common / preferred stock. In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the quarters of the corresponding financial year.
[5] Group profit before tax as a percentage of Group revenues.

BMW Group
at a Glance

→ BMW Group
in Figures

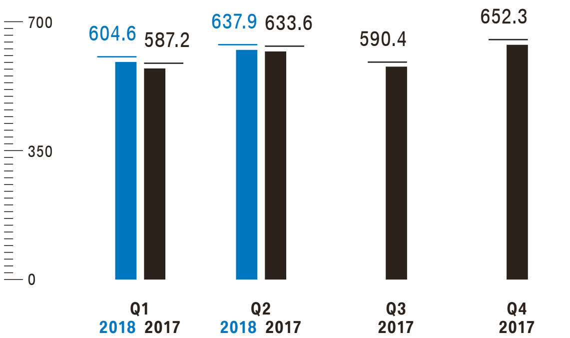
BMW Group posts new sales volume records

The BMW Group remained on course during the period under report, setting new sales volume records for both the second quarter of 2018 and the six-month period. In total, 637,878[1] BMW, MINI and Rolls-Royce brand vehicles were sold worldwide during the period from April to June (2017: 633,582[1] units; + 0.7 %). Six-month deliveries of the Group's three brands rose by 1.8 % to 1,242,507[1] units (2017: 1,220,819[1] units).

BMW Group deliveries of automobiles[1]

→ 05

in 1,000 units



[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (second quarter 2018: 106,944, 2017: 96,794 units; 1 January to 30 June 2018: 215,218, 2017: 186,966 units).

The number of motorcycles sold during the reporting period was partially influenced by the model change in the mid-class segment, with 51,117 units sold between April and June (2017: 52,753 units; – 3.1 %). Motorcycle deliveries during the six-month period were slightly down year-on-year at 86,975 units (2017: 88,389 units; –1.6 %).

The Financial Services segment's portfolio of contracts with retail customers grew slightly by 2.3 % to 5,506,901 contracts at the end of the reporting period (31 December 2017: 5,380,785 contracts). In total, 480,303 new credit financing and leasing contracts were signed with retail customers during the second quarter (2017: 468,603 contracts; + 2.5 %), bringing the six-month figure to 932,211 contracts (2017: 934,237 contracts: – 0.2 %).

Currency effects dampen six- month revenues and earnings

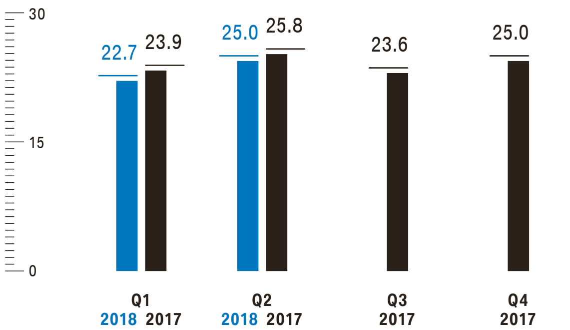
The BMW Group's earnings during the reporting period were impacted by high expenses and upfront expenditure for the product offensive, for research and development as well as an intensely competitive environment, combined with volatile markets and business conditions.

Adverse foreign currency translation effects caused Group revenues to fall short of the previous year's corresponding figure for the six-month period, especially in the first quarter. At €25,023 million, second-quarter revenues were slightly down on the previous year (2017: €25,765[2] million; – 2.9 %). Six-month revenues totalled €47,717 million (2017: €49,691[2] million; – 4.0 %). Adjusted for currency effects, revenues were at similar levels to the previous year, both for the second quarter (+ 0.1 %) and the six-month period (– 0.3 %).

BMW Group revenues[2]

→ 06

in € billion



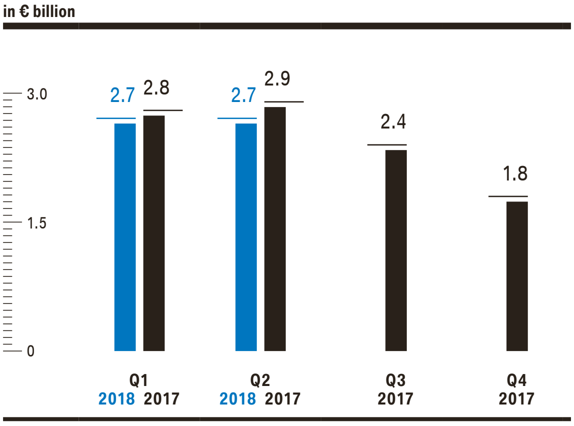
[2] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

BMW Group at a Glance

→ BMW Group in Figures

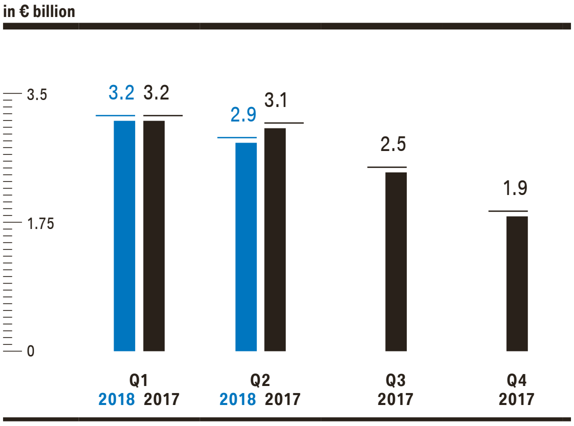
Group profit before financial result (EBIT) declined to €2,746 million for the second quarter (2017: €2,932* million; – 6.3 %) and €5,479 million for the six-month period (2017: €5,753* million; – 4.8 %). Apart from the currency impact, earnings were also dampened by higher expenses and upfront expenditure for the research and development projects necessary to safeguard future business as well as by the depreciation of property, plant and equipment and the amortisation of capitalised development costs.

BMW Group profit before financial result (EBIT)*
→ 07



Group profit before tax was also impacted by the same set of factors, falling to €2,873 million for the period from April to June (2017: €3,058* million; – 6.0 %) and to €6,038 million for the six-month period (2017: €6,238* million: – 3.2 %).

BMW Group profit before tax*
→ 08



* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Slight increase in workforce size

The BMW Group had a workforce of 131,636 employees worldwide at the end of the reporting period (31 December 2017: 129,932 employees; +1.3 %). The need to recruit suitably qualified staff is being driven primarily by projects aimed at securing the Group's future, such as vehicle electrification and autonomous driving.

BMW AG STOCK AND CAPITAL MARKETS

Markets severely dampened by trade dispute

DAX records losses in first half of year

BMW AG STOCK AND CAPITAL MARKETS IN THE SECOND QUARTER 2018

The second quarter was dominated in particular by the trade dispute between the USA and China. The Chinese government's announcement in May 2018 to reduce import duties for passenger cars from 25 % to 15 % with effect from 1 July eased the conflict temporarily. Against this backdrop, global stock markets recorded only minor gains in April and the early part of May. The tariffs announced by the USA on Chinese goods and the direct countermeasures undertaken by China have unsettled investors. At the end of the quarter, concerns about a possible increase in US import duties on some European imports, such as passenger cars, also weighed heavily on automobile stocks.

The German DAX share index closed the second quarter at 12,306 points, down 4.7 % compared to the end of 2017 (12,918 points). From its high for the year of 13,560 points recorded on 23 January, the DAX fell by 9.2 % in the period up to the end of June, despite recovering somewhat in the second quarter.

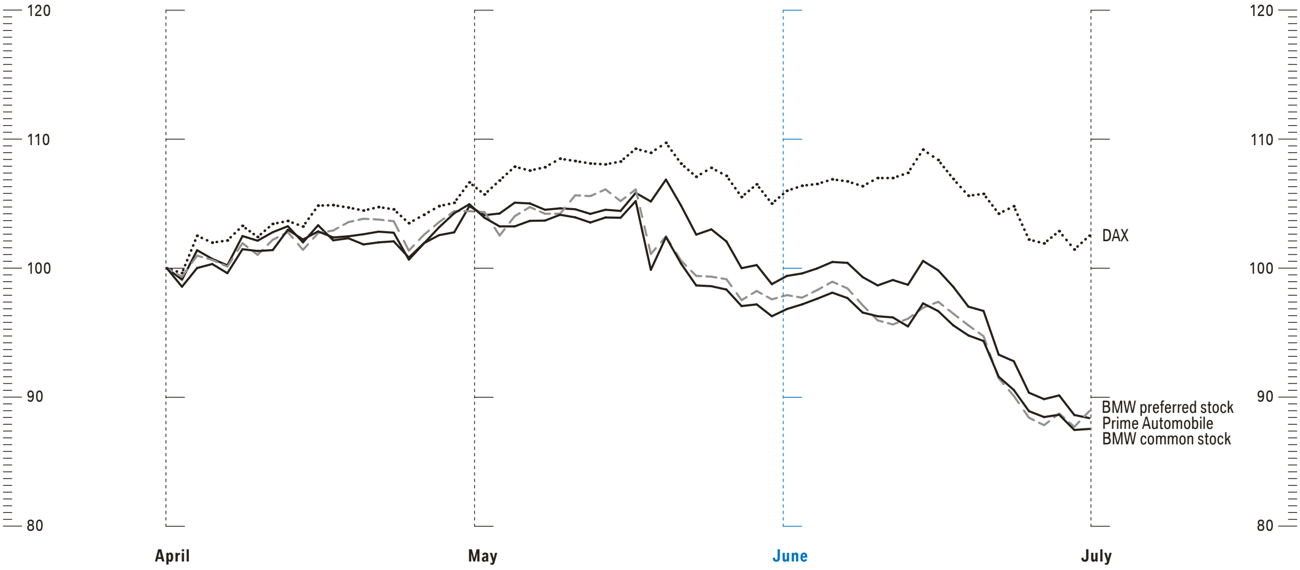
Due to the factors mentioned above, the Prime Automobile Index performed significantly less well than the DAX. Apart from the technological challenges lying ahead for the automobile industry and the related costs, sector investors are also concerned about the current trade dispute. The sector index fell by 11.6 % in the second quarter to 1,460 points, declining by 13.5 % since the end of 2017.

BMW stocks were not fully immune to the sector trend and also lost ground. BMW common stock closed at €77.63 at the end of the second quarter, 10.6 % lower than at the end of 2017. BMW preferred stock also performed similarly and closed the second quarter at €68.30, 8.5 % down on the closing price recorded at the end of the previous year. So far this year, however, BMW securities have outperformed the sector as a whole, reflecting the positive figures reported for the financial year 2017 and the solid outlook for 2018, which was reaffirmed despite considerable uncertainties.

BMW AG development of stock

→ 09

(Index: 30 March 2018 = 100)



Source: Reuters.

INTERIM GROUP MANAGEMENT REPORT

2

REPORT ON ECONOMIC POSITION

International automobile markets remain stable

New sales volume record for Automotive segment

GENERAL ECONOMIC ENVIRONMENT IN THE FIRST HALF OF 2018

International automobile markets

Global automobile markets grew by 2.2 % during the first six months of 2018.

Demand for vehicles in Europe rose by 2.7 % during the first six months of the year. At 2.9 %, growth in Germany was similarly high and even greater in France at 4.7 %. Once again, the strongest increase in new registrations in Europe was recorded in Spain, where the market expanded by a further 10.1 %. By contrast, vehicle registrations in Italy were 1.4 % down year-on-year. Despite a slowdown in the market contraction in the United Kingdom (UK) during the first six-month period, the 6.3 % year-on-year decrease was still substantial.

After a slight decline in the previous year, demand in the USA stabilised again with 1.9 % more new vehicles registered during the six-month period, helped by the generally robust state of the economy.

Registrations in China during the period from January to June 2018 were slightly up on one year earlier (+ 2.9 %), reflecting the ongoing normalisation of the economy and the government's attempts to combat high levels of debt, especially in the corporate sector.

After robust growth in the previous year, the volatile Japanese automobile market slowed during the first half of the year, with new registrations down by 1.9 % compared to the previous year.

Now that both countries have come out of recession, pent-up demand in Brazil and Russia was also evident during the six-month period, with the Brazilian market growing by 13.0 % and the Russian market by as much as 17.3 %.

International motorcycle markets

Most motorcycle markets in the 250 cc plus class performed well during the first half of 2018, with registrations up by 3.0 % worldwide. Europe's markets developed very positively, expanding at an overall rate of 5.3 %. After a relatively weak first quarter, the German market recovered significantly to end the six-month period with registrations up by 7.7 %. The development in Italy (+ 4.4 %) and France (+ 4.6 %) was also positive. The Spanish motorcycle market grew even more strongly (+ 6.2 %). The downward trend in the USA continues, reflected in a further 4.2 % drop on the previous year.

International interest rate environment and pre-owned vehicle prices

The European Central Bank (ECB) continued to pursue an expansive monetary policy during the second quarter. While the labour market developed positively and economic growth remained robust, there was still no clear trend towards the targeted inflation rate of 2 %. As a consequence, the ECB left the key interest rate in the eurozone at zero per cent before proceeding, in June, to announce a gradual withdrawal from its bond buying programme.

After a weak first quarter, the UK economy remained flat during the second three-month period. With key questions regarding the UK's planned withdrawal from the EU in March 2019 still unanswered, both political and economic uncertainty have increased. Under these circumstances, the Bank of England (BoE) decided to postpone plans for a possible interest rate increase until a later date.

In both March and June, the US Federal Reserve raised its key interest rate by 25 basis points, influenced by continued good job market figures, stable economic growth stimulated by tax breaks, and an inflation rate close to the target value of 2 %.

The Chinese economy performed robustly during the second quarter. However, high corporate debt ratios and the escalating trade dispute with the US are regarded as major risks to the country's financial stability. As a result, the Chinese central bank has left its monetary policy unchanged for the time being.

Japan's economy remained stable during the second quarter of 2018. The Japanese central bank maintained its highly expansive monetary policy in view of the continuing low rate of inflation.

Selling prices of premium segment pre-owned vehicles on international markets developed in line with the BMW Group's expectations during the second quarter of 2018. As in the previous three-month period, prices tended slightly lower in Europe, still reflecting ongoing customer uncertainty with regard to diesel-powered vehicles. Prices also fell slightly in North America, but remained stable in Asia.

Automotive Segment

New high for BMW Group vehicle deliveries

The Automotive segment performed well in both the second quarter and over the six-month period as a whole, achieving new sales volume records. The BMW Group delivered a total of 637,878[1] BMW, MINI and Rolls-Royce brand vehicles to customers in the period from April to June (2017: 633,582[1] units; +0.7 %), comprising 541,849[1] BMW (2017: 534,585[1] units; +1.4 %), 95,055 MINI (2017: 98,155 units; –3.2 %) and 974 Rolls-Royce (2017: 842 units; +15.7 %).

Six-month sales of the three brands therefore edged up by 1.8 % to 1,242,507[2] units (2017: 1,220,819[2] units), with the BMW brand accounting for 1,059,296[2] units (2017: 1,038,030[2] units; +2.0 %) and MINI for 181,430 units (2017: 181,214 units; +0.1 %). Rolls-Royce Motor Cars recorded significant growth, with total deliveries to customers up to 1,781 units (2017: 1,575 units; +13.1 %).

Inconsistent development of sales volume across countries

In Asia, the momentum seen in the first quarter slowed significantly as a consequence of the announcement of customs easing in China from 1 July 2018. Due to the wait-and-see attitude of Chinese customers, the BMW Group recorded a slight decline in deliveries of BMW, MINI and Rolls-Royce brand vehicles in Asia during the second quarter of 2018 to 211,197[1] units (2017: 215,748[1] units; –2.1 %). Over the six-month period, however, deliveries rose by 1.9 % to 423,890[2] units (2017: 415,888[2] units). In China, second-quarter sales of the three Group brands fell to 147,059[1] units (2017: 150,614[1] units; –2.4 %). The number of vehicles sold on the Chinese mainland during the six-month period grew slightly by 2.2 % to 300,153[2] units (2017: 293,572[2] units).

The BMW Group sold a total of 291,377 units (2017: 287,210 units; +1.5 %) in Europe during the period from April to June 2018. The six-month period saw a slight increase of 1.2 % to 562,102 units (2017: 555,206 units). At 81,424 units, second-quarter deliveries in Germany exceeded the previous year's figure by a solid 5.8 % (2017: 76,982 units). From January to June, sales figures increased by 3.7 % year-on-year (149,718 units; 2017: 144,414 units). In the UK, consumer sentiment was weakened by ongoing uncertainties surrounding the Brexit negotiations. At 63,013 units sold, the three-month sales volume nevertheless more than matched the previous year's level (2017: 62,540 units; +0.8 %). In the first six-month period, however, figures were slightly down on the previous year (124,294 units; 2017: 125,544 units; –1.0 %).

Automotive segment at a glance

→ 10

		2nd quarter 2018	2nd quarter 2017	Change in %
Deliveries[1,3]	units	**637,878**	633,582	0.7
Production[4]	units	**652,981**	614,535	6.3
Revenues[3,5]	€ million	**22,192**	22,165	0.1
Profit before financial result (EBIT)[5]	€ million	**1,919**	2,244	–14.5
Profit before tax[5]	€ million	**2,062**	2,391	–13.8
EBIT margin[3,5,6]	% (change in %pts)	**8.6**	10.1	–1.5

		1 January to 30 June 2018	1 January to 30 June 2017	Change in %
Deliveries[2,3]	units	**1,242,507**	1,220,819	1.8
Production[7]	units	**1,316,314**	1,262,464	4.3
Revenues[3,5]	€ million	**41,518**	42,166	–1.5
Profit before financial result (EBIT)[5]	€ million	**3,800**	4,121	–7.8
Profit before tax[5]	€ million	**4,343**	4,676	–7.1
EBIT margin[3,5,6]	% (change in %pts)	**9.2**	9.8	–0.6
Workforce (at 30 June 2018 / 31 December 2017)		**119,195**	117,664	1.3

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 106,944 units, 2017: 96,794 units).
[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 215,218 units, 2017: 186,966 units).
[3] Key performance indicators reported on during the year.
[4] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 103,703 units, 2017: 84,883 units).
[5] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[6] Profit before financial result as percentage of Automotive segment revenues.
[7] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 210,974 units, 2017: 183,598 units).

In the Americas region, the positive trend seen at the beginning of the year continued throughout the period from April to June 2018. Second-quarter deliveries rose slightly by 3.8 % to 119,713 vehicles (2017: 115,292 units). During the first half of 2018, a total of 226,061 units of the three Group brands were sold in the region (2017: 217,530 units; + 3.9 %). Sales figures also improved in the USA, both on a quarterly basis (91,940 units; 2017: 89,616 units; + 2.6 %) and for the six-month period (176,570 units; 2017: 171,785 units; + 2.8 %).

Automotive segment deliveries of vehicles by region and market

→ 11

in units	2nd quarter 2018	2nd quarter 2017	Change in %	1 January to 30 June 2018	1 January to 30 June 2017	Change in %
Europe	291,377	287,210	1.5	562,102	555,206	1.2
thereof Germany	81,424	76,982	5.8	149,718	144,414	3.7
thereof UK	63,013	62,540	0.8	124,294	125,544	–1.0
Americas	119,713	115,292	3.8	226,061	217,530	3.9
thereof USA	91,940	89,616	2.6	176,570	171,785	2.8
Asia	211,197[1]	215,748[1]	–2.1	423,890[2]	415,888[2]	1.9
thereof China	147,059[1]	150,614[1]	–2.4	300,153[2]	293,572[2]	2.2
Other markets	15,591	15,332	1.7	30,454	32,195	–5.4
Total	**637,878[1]**	**633,582[1]**	**0.7**	**1,242,507[2]**	**1,220,819[2]**	**1.8**

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 106,944 units, 2017: 96,794 units).
[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 215,218 units, 2017: 186,966 units).

BMW again achieves new highs[2]

The BMW brand again achieved record sales volume figures for the period under report. The BMW 5 Series, 6 Series as well as the BMW X family and BMW i models, all made important contributions, marking new quarterly and six-month highs.

The BMW 5 Series recorded particularly dynamic growth. Six-month deliveries were up significantly by 14.9 % to 191,185 units (2017: 166,353 units). The new Gran Turismo helped the BMW 6 Series to more than double deliveries in the first half of 2018 to 13,146 units worldwide (2017: 4,703 units). The BMW 1 Series performed well, with deliveries up by a solid 7.2 % to 98,396 units in the first half of the year (2017: 91,802 units). Now nearing the end of its model life cycle and in line with expectations, the 192,400 units of the BMW 3 Series delivered to customers were down on the previous year (2017: 207,692 units; – 7.4 %).

Despite the X3 model change and the end of the life cycle of the X5, the BMW X family reported a solid increase on the previous year's high level over the six-month period. The BMW Group increased deliveries of its now six X models to 379,400 units worldwide (2017: 357,496 units; + 6.1 %). Sales figures for the BMW X1 rose significantly by 11.8 % to 152,866 units (2017: 136,749 units). Although deliveries of the BMW X3 were slightly down at 78,464 units (2017: 81,607 units; – 3.9 %) for the six-month period, significant growth was recorded for the second quarter (44,695 units; 2017: 39,865 units; +12.1 %). This improving performance was attributable to the start of production in China and South Africa during the second quarter of 2018 following the model change. With the BMW X5 now approaching the end of its life cycle, the 85,307 units delivered during the first half of 2018 were unable to match the previous year's high figures (2017: 89,958 units; – 5.2 %). The new BMW X2 went on sale in March 2018, recording 22,326 deliveries to customers by the end of the reporting period.

Automotive segment deliveries of BMW vehicles by model series*

→ 12

in units	1 January to 30 June 2018	1 January to 30 June 2017	Change in %
BMW 1 Series	98,396	91,802	7.2
BMW 2 Series	81,710	91,848	–11.0
BMW 3 Series	192,400	207,692	–7.4
BMW 4 Series	58,594	69,907	–16.2
BMW 5 Series	191,185	166,353	14.9
BMW 6 Series	13,146	4,703	–
BMW 7 Series	27,530	32,290	–14.7
BMW X1	152,866	136,749	11.8
BMW X2	22,326	–	–
BMW X3	78,464	81,607	–3.9
BMW X4	21,128	28,087	–24.8
BMW X5	85,307	89,958	–5.2
BMW X6	19,309	21,095	–8.5
BMW i	16,935	15,939	6.2
BMW total	**1,059,296**	**1,038,030**	**2.0**

* Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 215,218 units, 2017: 186,966 units).

MINI equals previous year's volume record for six-month period

With 181,430 units delivered worldwide, the brand equalled the previous year's volume record for the six-month period (2017: 181,214 units; +0.1 %).

Deliveries of the Countryman grew by more than one third to 48,692 units (2017: 34,828 units; +39.8 %). At 90,962 units, sales of the MINI 3- and 5-door models fell short of the high level reported one year earlier (2017: 97,820 units; –7.0 %).

Automotive segment deliveries of MINI vehicles by model variant

→ 13

in units	1 January to 30 June 2018	1 January to 30 June 2017	Change in %
MINI Hatch (3- and 5-door)	90,962	97,820	–7.0
MINI Convertible	18,154	18,699	–2.9
MINI Clubman	23,622	29,867	–20.9
MINI Countryman	48,692	34,828	39.8
MINI total	**181,430**	**181,214**	**0.1**

High demand for new Rolls-Royce Phantom

Rolls-Royce Motor Cars sold 1,781 vehicles worldwide during the first six months of the year, 13.1 % more than in the same period one year earlier (2017: 1,575 units). Launched in January 2018, the new Rolls-Royce Phantom is currently enjoying high demand. In the first half of 2018, a total of 346 units were delivered to customers (2017: 79 units).

Automotive segment deliveries of Rolls-Royce vehicles by model variant

→ 14

in units	1 January to 30 June 2018	1 January to 30 June 2017	Change in %
Phantom	346	79	–
Ghost	494	505	–2.2
Wraith / Dawn	941	991	–5.0
Rolls-Royce total	**1,781**	**1,575**	**13.1**

Dynamic growth in demand for electrified vehicles

The percentage of deliveries accounted for by electrified vehicles is growing continuously and customer demand is making this type of vehicle an increasingly important aspect of the BMW Group's overall volume performance. Thanks to the systematic expansion of alternative drivetrain systems to its model portfolio, the BMW Group occupies a leading position within the premium segment in terms of electrification. During the period from January to June, sales of electrified vehicles rose by over one third to 60,660 units (2017: 42,573 units; +42.5 %), including 15,736 units of the BMW i3, 6.1 % more than in the same period of the previous year (2017: 14,825 units). The BMW brand occupies the leading position in the premium segment for plug-in hybrids. Sales figures for BMW plug-in hybrids marketed under the iPerformance brand name jumped by almost half in the first six months to 38,440 units (2017: 25,936 units; +48.2 %). Launched in June 2017, the MINI Cooper SE Countryman ALL4 recorded worldwide sales of 5,285 units during the period from January to June 2018 (2017: 698 units); (fuel consumption in l/100 km (combined) 2.3 – 2.1//CO_2 emissions in g/km (combined) 52 – 49//electric power consumption in kWh/100 km (combined) 14.0 – 13.2).

Automotive segment deliveries of electrified models

→ 15

in units	1 January to 30 June 2018	1 January to 30 June 2017	Change in %
BMW i	16,935	15,939	6.2
BMW iPerformance	38,440	25,936	48.2
MINI Electric	5,285	698	–
Total	**60,660**	**42,573**	**42.5**

Automobile production higher

In the second quarter of 2018, the BMW Group's production network manufactured a total of 652,981[1] BMW, MINI and Rolls-Royce brand vehicles (2017: 614,535[1] units; + 6.3 %), comprising 550,768[1] BMW (2017: 517,791[1] units; + 6.4 %), 100,971 MINI (2017: 95,962 units; + 5.2 %) and 1,242 Rolls-Royce (2017: 782 units; + 58.8 %). The corresponding figure for the period from January to June totalled 1,316,314[2] units (2017: 1,262,464[2] units; + 4.3 %), comprising 1,111,412[2] BMW (2017: 1,066,966[2] units; + 4.2 %), 202,781 MINI (2017: 193,861 units; + 4.6 %) and 2,121 Rolls-Royce brand vehicles (2017: 1,637 units; + 29.6 %).

[1] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 103,703 units, 2017: 84,883 units).

[2] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2018: 210,974 units, 2017: 183,598 units).

EBIT margin within target range

Six-month revenues for the Automotive segment were affected by the translation of foreign currencies such as the US dollar and the Chinese renminbi, particularly in the first quarter. At €22,192 million, second-quarter revenues were at a similar high level to the previous year (2017: €22,165[3] million; + 0.1 %). Segment revenues for the period from January to June fell slightly by 1.5 % to €41,518 million (2017: €42,166[3] million).

In addition to currency effects, earnings were also held down in particular by rising upfront expenditure and costs for the product offensive, for research and development projects relating to electrification and autonomous driving as well as the depreciation of property, plant and equipment and capitalised development costs.

Accordingly, second-quarter EBIT came in at €1,919 million (2017: €2,244[3] million; –14.5 %). At 8.6 %, the Automotive segment's EBIT margin remained within the target range of between 8 and 10 % (2017: 10.1[3] %; –1.5 percentage points). Between January and June, segment EBIT fell moderately to €3,800 million (2017: €4,121[3] million; – 7.8 %), resulting in an EBIT margin of 9.2 % (2017: 9.8[3] %; – 0.6 percentage points) for the six-month period. Profit before tax recorded by the Automotive segment for the three-month period totalled €2,062 million (2017: €2,391[3] million; –13.8 %) and for the six-month period €4,343 million (2017: €4,676[3] million; – 7.1 %).

[3] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Slight increase in workforce

The BMW Group had a workforce of 119,195 employees in the Automotive segment at the end of the reporting period (31 December 2017: 117,664 employees), slightly up (+ 1.3 %) over the six-month period.

Motorcycles Segment

Deliveries below previous year's level

Motorcycles business was held down by a number of factors during the reporting period, including the model change in the mid-class segment and the large number of new models launched. The significantly lower production output had a negative impact on supplies to the BMW Group's dealer organisation.

Worldwide deliveries by BMW Motorrad decreased slightly by 3.1 % in the second quarter of 2018 to 51,117 units (2017: 52,753 units) and to 86,975 units (2017: 88,389 units; –1.6 %) for the six-month period as a whole.

In Europe, the number of motorcycles delivered to customers totalled 53,989 units (2017: 58,617 units; – 7.9 %). The figure for Germany (11,739 units) was also down on the previous year (2017: 14,461 units; –18.8 %). Shortfalls compared to one year earlier were also recorded for France (9,068 units; 2017: 9,447 units; – 4.0 %) and Italy (8,647 units; 2017: 9,099 units; – 5.0 %). By contrast, motorcycle sales in Spain improved slightly by 1.3 % to 5,647 units (2017: 5,573 units). In the overall contracting US market, the BMW Group reported a slight increase (+ 3.1 %) in six-month deliveries to 7,379 units (2017: 7,157 units).

Motorcycle production lower in first half of year

In the period from April to June 2018, the BMW Group manufactured 46,724 motorcycles at its four production sites worldwide (2017: 51,086 units; – 8.5 %). The equivalent figure for the six-month period was 88,008 units (2017: 105,552 units; –16.6 %). The significantly lower production volume negatively affected the supply of products to the dealer organisation. A further contributing factor was the model change in the mid-class Adventure segment.

Revenues and earnings down on previous year

Motorcycles segment revenues and earnings were negatively impacted by the lower number of units delivered during the reporting period. Second-quarter revenues fell to €658 million (2017: €695[1] million; – 5.3 %), generating a segment EBIT of €98 million (2017: €104[1] million; – 5.8 %) and an EBIT margin of 14.9 % (2017: 15.0[1] %; – 0.1 percentage points). Profit before tax decreased accordingly to €96 million (2017: €103[1] million; – 6.8 %). Six-month revenues totalled €1,182 million (2017: €1,315[1] million; –10.1 %). The segment recorded an EBIT margin of 14.8 % (2017: 17.4[1] %; – 2.6 percentage points) on an EBIT figure of €175 million (2017: €229[1] million; – 23.6 %). Profit before tax for the six-month period totalled €174 million (2017: €228[1] million; – 23.7 %).

Workforce increased slightly

The BMW Group had a workforce of 3,591 employees in the Motorcycles segment at the end of the reporting period (31 December 2017: 3,506 employees; + 2.4 %).

Motorcycles segment at a glance

→ 16

		2nd quarter 2018	2nd quarter 2017	Change in %
Deliveries[2]	units	51,117	52,753	– 3.1
Production	units	46,724	51,086	– 8.5
Revenues[1]	€ million	658	695	– 5.3
Profit before financial result (EBIT)[1]	€ million	98	104	– 5.8
Profit before tax[1]	€ million	96	103	– 6.8
EBIT margin[1, 2]	% (change in %pts)	14.9	15.0	– 0.1

		1 January to 30 June 2018	1 January to 30 June 2017	Change in %
Deliveries[2]	units	86,975	88,389	–1.6
Production	units	88,008	105,552	–16.6
Revenues[1]	€ million	1,182	1,315	–10.1
Profit before financial result (EBIT)[1]	€ million	175	229	– 23.6
Profit before tax[1]	€ million	174	228	– 23.7
EBIT margin[1, 2]	% (change in %pts)	14.8	17.4	– 2.6
Workforce (at 30 June 2018 / 31 December 2017)		3,591	3,506	2.4

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] Key performance indicators reported on during the year.

Financial Services Segment

Financial services business on growth course

The contract portfolio under management within the Financial Services segment grew by 2.3 % during the six-month period under report and stood at 5,506,901 contracts at 30 June 2018 (31 December 2017: 5,380,785 contracts). In balance sheet terms, business volume increased slightly to stand at €127,454 million (31 December 2017: €124,719 million; + 2.2 %).

Slight increase in new business with retail customers

A total of 480,303 new credit financing and leasing contracts was concluded with retail customers during the period from April to June 2018. Compared to the same quarter one year earlier, the figure corresponded to a slight increase of 2.5 % (2017: 468,603 contracts), with leasing business growing by a solid 9.4 % and credit financing business at a similar level to the previous year (– 0.7 %).

The number of new contracts with retail customers signed between January and June 2018 (932,211 contracts) was similar to the previous year's figure (2017: 934,237 contracts; – 0.2 %). Overall, leasing accounted for 33.2 % (31 December 2017: 33.0 %) and credit financing for 66.8 % (31 December 2017: 67.0 %) of total new business with new and pre-owned vehicles during the first half of 2018.

A total of 203,352 credit financing and leasing contracts were signed during the first half of the year for pre-owned BMW and MINI brand vehicles (2017: 201,812 contracts), similar to the previous year's level (+ 0.8 %).

The volume of all new credit financing and leasing contracts with retail customers signed during the six-month period under report totalled € 27,205 million, moderately lower than one year earlier (2017: € 28,745 million; – 5.4 %). Adjusted for currency effects, the decrease was only 0.4 %.

In total, 5,060,485 contracts were in place with retail customers at the end of the reporting period (31 December 2017: 4,926,228 contracts), up slightly by 2.7 % over the six-month period. The contract portfolio for the China region grew by a solid 7.0 % compared to 31 December 2017. The Europe/Middle East/Africa region (+ 3.8 %) and the EU Bank[1] region (+ 3.1 %) also recorded growth. The number of contracts in place with retail customers in the Americas and Asia/Pacific regions remained at levels similar to the end of 2017 (+ 0.8 % and – 0.3 % respectively).

The proportion of new BMW Group vehicles[2] either leased or financed by the Financial Services segment during the first half of 2018 was 47.4 % (2017: 47.6 %; – 0.2 percentage points).

Financial Services segment at a glance

→ 17

		2nd quarter 2018	2nd quarter 2017	Change in %
New contracts with retail customers		480,303	468,603	2.5
Revenues	€ million	7,141	7,044	1.4
Profit before financial result (EBIT)	€ million	607	588	3.2
Profit before tax	€ million	605	589	2.7

		1 January to 30 June 2018	1 January to 30 June 2017	Change in %
New contracts with retail customers		932,211	934,237	– 0.2
Revenues	€ million	13,815	14,090	– 2.0
Profit before financial result (EBIT)	€ million	1,176	1,192	– 1.3
Profit before tax	€ million	1,166	1,184	– 1.5
Workforce (at 30 June 2018 / 31 December 2017)		8,733	8,645	1.0

		30. 6. 2018	31. 12. 2017	Change in %
Business volume in balance sheet terms[3]	€ million	127,454	124,719	2.2

[1] EU Bank comprises BMW Bank GmbH, its branches in Italy, Spain and Portugal and its subsidiary in France.
[2] The calculation only includes automobile markets in which the Financial Services segment is represented by a consolidated entity.
[3] Calculated on the basis of the lines Leased products and Receivables from sales financing (current and non-current) of the Financial Services segment balance sheet.

Fleet business up slightly on previous year

In the fleet management business, the BMW Group – with its Alphabet brand – is one of Europe's foremost leasing and full-service providers. Alphabet offers leasing and financing arrangements as well as other specific services to commercial customers. A portfolio of 689,701 fleet leasing contracts was in place at the end of the reporting period (31 December 2017: 679,895 contracts; +1.4 %).

Decrease in multi-brand financing

The Financial Services segment recorded a significant drop in the number of new multi-brand financing contracts signed (–17.0 %), mainly reflecting a stronger focus on the Group's own brands. Overall, 70,065 new contracts were signed during the six-month period under report (2017: 84,373 contracts). In total, 405,510 contracts were in place at 30 June 2018, similar to the level at the beginning of the period (31 December 2017: 406,813 contracts; – 0.3 %).

Dealership financing nearly unchanged

The total business volume of dealership financing contracts at the end of the reporting period was almost identical to that reported at the end of the financial year 2017 and totalled €19,285 million (31 December 2017: €19,161 million; + 0.6 %).

Deposit business volume slightly above previous year's level

Deposit-taking provides an important source of refinancing for the Financial Services segment. Customer deposits as of 30 June 2018 totalled €13,772 million and were therefore slightly higher than at the end of the previous financial year (31 December 2017: €13,572 million; +1.5 %).

Insurance business slightly up year-on-year

Overall, 689,440 new insurance contracts were brokered during the period from January to June (2017: 662,633 contracts; + 4.0 %). The number of insurance contracts in place at the end of the reporting period increased to 3,782,087 (31 December 2017: 3,649,362 contracts; + 3.6 %).

Revenues and earnings develop positively in second quarter

Growth in new business recorded by the Financial Services segment in the second quarter drove segment revenues up slightly by 1.4 % to €7,141 million (2017: €7,044 million). Segment revenues for the six-month period decreased slightly to €13,815 million (2017: €14,090 million; – 2.0 %), mainly reflecting currency-related factors in the first quarter. Profit before taxes for the second quarter amounted to €605 million, slightly higher than one year earlier (2017: €589 million; + 2.7 %). By contrast, pre-tax profit for the six-month period fell by 1.5 % to €1,166 million (2017: €1,184 million), mainly due to currency-related factors.

Workforce size increased

At 30 June 2018, the Financial Services segment had a workforce of 8,733 employees worldwide (31 December 2017: 8,645 employees), a 1.0 % increase over the six-month period.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Results of operations

Deliveries of BMW, MINI and Rolls-Royce brand vehicles during the first six months of 2018 increased slightly by 1.8 % to 1,242,507 units compared to the previous year. The figure includes 215,218 units (2017: 186,966 units) from the joint venture BMW Brilliance Automotive Ltd., Shenyang.

The BMW Group had a worldwide workforce of 131,636 employees at the end of the reporting period (31 December 2017: 129,932 employees).

Overall, the gross profit fell moderately compared to the previous year, with currency effects and higher research and development expenses more than offsetting the impact of volume growth in the Automotive segment. Currency effects were mainly attributable to the change in the average exchange rates of the US dollar, the Chinese renminbi and the Japanese yen against the euro. Both the net amount of other operating income and expenses as well as the financial result had a positive effect on earnings for the period. Profit before tax for the six-month period to 30 June 2018 was slightly down on the previous year, in line with expectations.

BMW Group condensed Income Statement for the period from 1 April to 30 June

→ 18

in € million	2018	2017[1]	Change in %
Revenues	25,023	25,765	–2.9
Cost of sales	–19,935	–20,230	–1.5
Gross profit	**5,088**	**5,535**	**–8.1**
Selling and administrative expenses	–2,339	–2,339	–
Other operating income and expenses	–3	–264	–98.9
Profit before financial result	**2,746**	**2,932**	**–6.3**
Financial result	127	126	0.8
Profit before tax	**2,873**	**3,058**	**–6.0**
Income taxes	–784	–841	–6.8
Profit from continuing operations	**2,089**	**2,217**	**–5.8**
Loss from discontinued operations	–7	–	–
Net profit	**2,082**	**2,217**	**–6.1**
Earnings per share of common stock in €	3.13	3.34	–6.3
Earnings per share of preferred stock in €	3.14	3.35	–6.3

in %	2018	2017[1]	Change in %pts
Pre-tax return on sales[2]	11.5	11.9	–0.4
Post-tax return on sales[3]	8.3	8.6	–0.3
Gross profit margin[4]	20.3	21.5	–1.2
Effective tax rate[5]	27.3	27.5	–0.2

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] Group profit before tax as a percentage of Group revenues.
[3] Group net profit as a percentage of Group revenues.
[4] Gross profit as a percentage of Group revenues.
[5] Income tax expenses as a percentage of Group profit before tax.

Revenues during the first six months of 2018 fell slightly by €1,974 million to €47,717 million due to currency effects and the continued intense competitive environment. Adjusted for currency factors, revenues were at a similar level to the previous year.

Group cost of sales decreased slightly compared to the previous year, mainly due to currency effects.

BMW Group condensed Income Statement for the period from 1 January to 30 June

→ 19

in € million	2018	2017[1]	Change in %
Revenues	47,717	49,691	−4.0
Cost of sales	−37,765	−39,170	−3.6
Gross profit	**9,952**	**10,521**	**−5.4**
Selling and administrative expenses	−4,514	−4,517	−0.1
Other operating income and expenses	41	−251	–
Profit before financial result	**5,479**	**5,753**	**−4.8**
Financial result	559	485	15.3
Profit before tax	**6,038**	**6,238**	**−3.2**
Income taxes	−1,648	−1,747	−5.7
Profit from continuing operations	**4,390**	**4,491**	**−2.2**
Loss from discontinued operations	−7	–	–
Net profit	**4,383**	**4,491**	**−2.4**
Earnings per share of common stock in €	6.60	6.79	−2.8
Earnings per share of preferred stock in €	6.61	6.80	−2.8

in %	2018	2017[1]	Change in %pts
Pre-tax return on sales[2]	12.7	12.6	0.1
Post-tax return on sales[3]	9.2	9.0	0.2
Gross profit margin[4]	20.9	21.2	−0.3
Effective tax rate[5]	27.3	28.0	−0.7

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] Group profit before tax as a percentage of Group revenues.
[3] Group net profit as a percentage of Group revenues.
[4] Gross profit as a percentage of Group revenues.
[5] Income tax expenses as a percentage of Group profit before tax.

Research and development expenses totalling €2,610 million (2017: €2,298 million) were significantly higher than in the previous year due to the ongoing model offensive, vehicle electrification and development work on autonomous driving. Total research and development expenditure – comprising research costs, non-capitalised development costs, capitalised development costs (excluding amortisation thereon) and advance payments – amounted to €2,756 million (2017: €2,650 million) in the first six months of the year.

BMW Group research and development ratios for the period from 1 April to 30 June

→ 20

in %	2018	2017[1]	Change in %pts
Research and development expenses as a percentage of revenues	5.3	4.3	1.0
Research and development expenditure ratio[2]	5.9	5.2	0.7
Capitalisation rate[3]	32.7	38.0	–5.3

BMW Group research and development ratios for the period from 1 January to 30 June

→ 21

in %	2018	2017[1]	Change in %pts
Research and development expenses as a percentage of revenues	5.5	4.6	0.9
Research and development expenditure ratio[2]	5.8	5.3	0.5
Capitalisation rate[3]	29.1	35.6	–6.5

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] Research and development expenditure as a percentage of Group revenues.
[3] Capitalised development costs as a percentage of research and development expenditure.

At €4,514 million, selling and administrative expenses were at a similar level to one year earlier.

Depreciation and amortisation on property, plant and equipment and intangible assets recorded in cost of sales and in selling and administrative expenses in the period from January to June 2018 totalled €2,454 million (2017: €2,349 million).

The net amount of other operating income and expenses for the period changed from a net negative amount of €251 million to a net positive amount of €41 million, mainly as a result of lower allocations to provisions for legal disputes.

Profit before financial result (EBIT) fell slightly to €5,479 million (2017: €5,753 million).

The financial result reported for the six-month period was a €74 million improvement on the previous year. This development included the contribution attributable to other financial result, comprising a €189 million improvement in the result on investments and a €9 million deterioration in sundry other financial result. The result on investments benefited in particular from a gain of €209 million arising in conjunction with the revaluation of the DriveNow companies and was reduced by a loss of €49 million arising on the BMW Group's shareholding in SGL Carbon SE. At €51 million, sundry other financial result was significantly down on the previous year (2017: €60 million). Although interest rate and currency derivatives developments have had a positive effect in the current financial year, the previous year's figure had contained the positive impact of fair value measurement gains on commodity derivatives: as a result of the first-time application of IFRS 9, most of these effects are now recognised directly in equity. This overall improvement in other financial result was offset by an €85 million deterioration in the result from equity accounted investments to €405 million. In the first quarter of the previous financial year, the sale of shares in HERE International B.V., Amsterdam, had resulted in a positive impact of €183 million. The figure reported for the first half of 2018 benefited from the volume-driven increase in the earnings contribution of BMW Brilliance Automotive Ltd., Shenyang, which increased by €102 million year-on-year. Furthermore, the net interest result reported for the first six months of 2018 deteriorated by €21 million to a net expense of €100 million, mainly due to lower interest income.

Profit before tax amounted to €6,038 million and was therefore slightly down year-on-year (2017: €6,238 million).

The income tax expense for the six-month period amounted to €1,648 million (2017: €1,747 million).

Earnings performance by segment

BMW Group revenues by segment for the period from 1 April to 30 June

→ 22

in € million	2018	2017[1]	Change in %	Currency adjusted change[2] in %
Automotive	22,192	22,165	0.1	3.2
Motorcycles	658	695	–5.3	–2.0
Financial Services	7,141	7,044	1.4	5.1
Other Entities	1	1	–	–
Eliminations	–4,969	–4,140	20.0	25.6
Group	**25,023**	**25,765**	**–2.9**	**0.1**

BMW Group profit / loss before tax by segment for the period from 1 April to 30 June

→ 23

in € million	2018	2017[1]	Change in %
Automotive	2,062	2,391	–13.8
Motorcycles	96	103	–6.8
Financial Services	605	589	2.7
Other Entities	8	23	–65.2
Eliminations	102	–48	–
Group	**2,873**	**3,058**	**–6.0**

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.

Automotive segment
Automotive segment revenues fell slightly in the first half of 2018 due to currency factors. Adjusted for currency effects, they rose slightly on the back of higher deliveries. Cost of sales finished almost identical to the previous year's level. Adjusted for exchange rate effects, they increased slightly, mainly reflecting higher research and development expenses. Overall, the six-month gross profit margin was slightly lower than one year earlier.

The net amount of other operating income and expenses reported by the segment improved from a net expense of €277 million to a net expense of €5 million, mainly as a result of lower allocations to provisions for legal disputes.

Profit before financial result fell moderately and amounted to €3,800 million (2017: €4,121 million) for the six-month period.

The Automotive segment's financial result for the first half of the financial year 2018 was slightly down on the previous year, mainly as a result of the various effects described above relating to the result for equity accounted investments, income from investment and the changed accounting treatment applied to commodity derivatives. For further information on the changed accounting treatment of commodity derivatives, see → note 6 to the Interim Group Financial Statements.

→ see note 6

Profit before tax for the six-month period deteriorated moderately compared to the previous year.

BMW Group revenues by segment for the period from 1 January to 30 June

→ 24

in € million	2018	2017[1]	Change in %	Currency adjusted change[2] in %
Automotive	41,518	42,166	–1.5	2.4
Motorcycles	1,182	1,315	–10.1	–6.8
Financial Services	13,815	14,090	–2.0	3.3
Other Entities	3	3	–	–
Eliminations	–8,801	–7,883	11.6	20.1
Group	**47,717**	**49,691**	**–4.0**	**–0.3**

BMW Group profit / loss before tax by segment for the period from 1 January to 30 June

→ 25

in € million	2018	2017[1]	Change in %
Automotive	4,343	4,676	–7.1
Motorcycles	174	228	–23.7
Financial Services	1,166	1,184	–1.5
Other Entities	78	19	–
Eliminations	277	131	–
Group	**6,038**	**6,238**	**–3.2**

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.

Motorcycles segment

Motorcycles segment revenues fell significantly compared to the first half of the previous year, mainly due to the production ramp-up situation brought about by numerous model changes. Sales mix and currency effects also contributed to the decline in revenues.

Six-month profit before tax was therefore significantly lower than one year earlier.

BMW Group margins by segment for the period from 1 April to 30 June

→ 26

in %	2018	2017[1]	Change in %pts
Automotive			
Gross profit margin	17.5	20.1	–2.6
EBIT margin[2]	8.6	10.1	–1.5
Motorcycles			
Gross profit margin	24.6	24.0	0.6
EBIT margin[2]	14.9	15.0	–0.1

BMW Group margins by segment for the period from 1 January to 30 June

→ 27

in %	2018	2017[1]	Change in %pts
Automotive			
Gross profit margin	18.2	19.4	–1.2
EBIT margin[2]	9.2	9.8	–0.6
Motorcycles			
Gross profit margin	24.9	26.3	–1.4
EBIT margin[2]	14.8	17.4	–2.6

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] Segment profit before financial result as a percentage of segment revenues.

Financial Services segment

Financial Services segment revenues fell slightly in the reporting period, mainly due to negative foreign currency translation effects. Adjusted for currency effects, they rose slightly due to the increased size of the portfolio.

The risk profile remained stable during the six-month period from January to June 2018. In a number of European markets, including Germany and France, residual values decreased slightly, in line with expectations.

Profit before tax in the Financial Services segment decreased slightly, mainly as a result of currency effects.

Other Entities segment/Eliminations

The result before tax in the Other Entities segment improved significantly year-on-year, helped, among other things, by positive valuation effects arising on interest rate derivatives. The impact of inter-segment eliminations on pre-tax profit increased by €146 million and amounted to €277 million for the six-month period mainly due to positive reversal effects from the portfolio of leased products.

Financial position

The consolidated cash flow statements for the Group and the Automotive and Financial Services segments show the sources and applications of cash flows for the financial years for the first six months of the financial years 2018 and 2017, classified into cash flows from operating, investing and financing activities. Cash and cash equivalents in the cash flow statements correspond to the amounts disclosed in the balance sheet.

Cash flows from operating activities are determined indirectly, starting with Group and segment net profit. By contrast, cash flows from investing and financing activities are based on actual payments and receipts.

BMW Group cash flows for the period from 1 January to 30 June

→ 28

in € million	2018	2017	Change
Cash inflow (+) / outflow (–) from operating activities	2,672	1,918	754
Cash inflow (+) / outflow (–) from investing activities	–2,407	–2,270	–137
Cash inflow (+) / outflow (–) from financing activities	–707	–123	–584
Effect of exchange rate and changes in composition of Group	–	–90	90
Change in cash and cash equivalents	**–442**	**–565**	**123**

The cash inflow from operating activities in the first half of 2018 was mainly influenced by the lower year-on-year increase in receivables from sales financing and the change in deferred taxes. These positive developments were offset by an increase in working capital.

The higher cash outflow for investing activities mainly reflects increased payments for investments in intangible assets and property, plant and equipment.

The increase in cash outflows for financing activities resulted mainly to the repayment of commercial paper and the lower number from bonds issued compared with the previous year. The change in other financial liabilities worked in the opposite direction.

Free cash flow for the Automotive segment in the first half of 2018 was as follows:

Free cash flow Automotive segment for the period from 1 January to 30 June

→ 29

in € million	2018	2017	Change
Cash inflow (+) / outflow (–) from operating activities	4,419	4,393	26
Cash inflow (+) / outflow (–) from investing activities	–2,515	–2,187	–328
Net investment in marketable securities and investment funds	40	–171	211
Free cash flow Automotive segment	**1,944**	**2,035**	**–91**

The higher cash outflow for investing activities of the Automotive segment mainly reflects increased payments for investments in intangible assets and property, plant and equipment, as referred to above.

Net financial assets of the Automotive segment comprise the following:

Net financial assets Automotive segment

→ 30

in € million	30.6.2018	31.12.2017	Change
Cash and cash equivalents	6,435	7,157	–722
Marketable securities and investment funds	4,339	4,336	3
Intragroup net financial assets	9,764	9,774	–10
Financial assets	**20,538**	**21,267**	**–729**
Less: external financial liabilities*	–1,602	–1,480	–122
Net financial assets Automotive segment	**18,936**	**19,787**	**–851**

* Excluding derivative financial instruments.

Cash flows relating to the Financial Services segment developed as follows in the first half of 2018:

Net cash flows for the Financial Service segment for the period from 1 January to 30 June

→ 31

in € million	2018	2017	Change
Cash inflow (+) / outflow (–) from operating activities	–2,617	–4,046	1,429
Cash inflow (+) / outflow (–) from investing activities	140	–17	157
Cash inflow (+) / outflow (–) from financing activities	2,697	3,085	–388
Net	**220**	**–978**	**1,198**

Cash outflows from operating activities in the Financial Services segment were driven primarily by the change in receivables from sales financing.

The cash inflow from financing activities results primarily from the increase in other financial liabilities.

Refinancing

The BMW Group uses a broadly diversified and flexible range of funding sources to finance its operating activities. Almost all of the funds raised are used to finance the BMW Group's Financial Services business. Further details regarding the principles and objectives of financial management are contained in the BMW Group Financial Statements for the year ended 31 December 2017.

During the period from January to June 2018, BMW Group entities issued two euro benchmark bonds with a total volume of €3.75 billion (in conjunction with the EMTN programme), a GBP-denominated bond amounting to GBP 250 million and private placements in various currencies with a total volume of €2.4 billion. The BMW Group also placed a bond for US dollar 4 billion on the US capital market. Bonds denominated in Chinese renminbi and Canadian dollar were issued with a total volume of €0.7 billion.

In addition, six ABS transactions with a volume of €3.9 billion were issued in Germany, France, Japan, Canada and the USA. The regular issue of commercial paper and deposit-taking by the Group's banking subsidiaries are also used to refinance the BMW Group.

Net assets

BMW Group condensed balance sheet

→ 32

in € million	Group 30.6.2018	31.12.2017[1]	Change in %	Currency adjusted change[2] in %	Proportion of balance sheet total in %
ASSETS					
Intangible assets	9,524	9,464	0.6	0.6	4.7
Property, plant and equipment	18,238	18,471	–1.3	–1.5	9.1
Leased products	36,781	36,257	1.4	0.4	18.3
Investments accounted for using the equity method	2,863	2,769	3.4	3.4	1.4
Other investments	762	690	10.4	17.1	0.4
Receivables from sales financing	82,806	80,434	2.9	2.4	41.0
Financial assets	8,731	10,334	–15.5	–15.8	4.3
Deferred and current tax	4,537	3,559	27.5	25.3	2.3
Inventories	15,286	12,707	20.3	20.5	7.6
Trade receivables	3,140	2,667	17.7	17.8	1.6
Other assets	9,802	9,115	7.5	8.3	4.9
Cash and cash equivalents	8,597	9,039	–4.9	–4.8	4.2
Assets held for sale	441	–	–	–	0.2
Total assets	**201,508**	**195,506**	**3.1**	**2.6**	**100.0**
EQUITY AND LIABILITIES					
Equity	55,769	54,107	3.1	3.4	27.7
Pension provisions	2,709	3,252	–16.7	–17.0	1.3
Other provisions	11,856	11,999	–1.2	–1.7	5.9
Deferred and current tax	4,359	3,281	32.9	28.6	2.2
Financial liabilities	97,633	94,648	3.2	2.4	48.5
Trade payables	10,048	9,731	3.3	3.1	5.0
Other liabilities	19,114	18,488	3.4	2.9	9.4
Liabilities in conjunction with assets held for sale	20	–	–	–	–
Total equity and liabilities	**201,508**	**195,506**	**3.1**	**2.6**	**100.0**

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] The adjustment for exchange rate factors is calculated by applying the relevant current exchange rates to the prior year's figures.

The Group balance sheet total was slightly higher than at the end of the financial year 2017.

Receivables from sales financing increased slightly over the six-month period, mainly due to the greater credit financing volumes in the UK and China. A total of 623,126 new credit financing contracts were signed during the first six months of 2018. Compared to the end of the previous year, the segment's contract portfolio grew by 2.6 % to 3,729,724 contracts.

Financial assets decreased significantly compared to 31 December 2017, mainly due to the fair value measurement of currency derivatives. Lower fair values of commodity derivatives exacerbated the situation.

Inventories were significantly higher than at the end of the financial year 2017, whereby most of the increase related to finished goods and stocking up effects.

Other assets increased solidly compared to 31 December 2017, mainly in connection with the higher amount of return right assets recognised relating to future leased vehicles.

Compared with the amounts reported in the Group Financial statements for the year ended 31 December 2017, deferred and current income tax assets and liabilities increased significantly in connection with the US tax reform.

Group equity rose slightly by €1,662 million to €55,769 million, increased primarily by the profit attributable to shareholders of BMW AG amounting to €4,338 million and decreased by a dividend payment amounting to €2,630 million.

BMW Group equity ratio[1]

→ 33

in %	30.6.2018	31.12.2017[2]	Change in %pts
Group	27.7	27.7	–
Automotive segment	39.5	42.0	–2.5
Financial Services segment	9.9	10.7	–0.8

[1] Equity as a percentage of relevant total assets.
[2] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Pension provisions declined significantly compared to the end of the financial year 2017, mainly due to higher discount rates applicable for the UK.

Financial liabilities rose slightly compared to 31 December 2017, mainly due to the increase in bonds. The repayment of commercial paper had the opposite effect.

Other liabilities increased slightly compared to the end of the financial year 2017, mainly in connection with the higher amount of refund liabilities recognised relating to future leased vehicles.

The line items “Assets held for sale” and “Liabilities in connection with assets held for sale” relate to the discontinued operations of the DriveNow companies. Further information is provided in → note 2 to the Interim Group Financial Statements.

→ see note 2

Overall, the results of operations, financial position and net assets position of the BMW Group continued to develop positively during the six-month period under report.

Related party relationships

Further information on transactions with related parties can be found in → note 34 to the Interim Group Financial Statements.

→ see note 34

REPORT ON OUTLOOK, RISKS AND OPPORTUNITIES

Global economy remains stable despite trade disputes

BMW Group confirms outlook

OUTLOOK

The report on outlook, risks and opportunities describes the expected development of the BMW Group, including material risks and opportunities, from a Group management perspective. It contains forward-looking statements and is based on expectations and assessments that are subject to uncertainty. As a result, actual outcomes, including those attributable to political and economic developments, could differ – either positively or negatively – from those described below. Further information on this topic is provided in the Annual Report 2017 (Outlook, pp. 90, Risks and Opportunities, pp. 96).

Global economy stable, trade policy risks mounting

The global economy is currently in a stable situation overall, despite the many risks. However, in view of the ongoing trade dispute, which has meanwhile escalated to take on global proportions, forecasts may well be corrected downwards as the year progresses. The worldwide growth of 3.9 % most recently predicted by the International Monetary Fund in its spring forecast could also be affected.

In Europe, the pace of economic growth has slowed down somewhat during the past few months. Gross domestic product (GDP) is currently expected to grow by 2.2 % over the year as a whole and therefore slightly down on 2017. However, the economic environment remains quite conducive to growth. Unemployment continues to fall, the weak euro is driving export growth and the ECB is only gradually running down its expansive monetary policy.

In Germany, too, economic indicators remain positive. Record employment figures and historically low unemployment continue to ensure a good economic climate. Despite a slight dip in recent months, the German economy is now expected to grow this year by 2.2 %, similar to one year earlier.

The French economy is predicted to grow by 2.0 % this year, driven primarily by sustained domestic demand and robust exports.

In Italy, although a new government has meanwhile been formed, its stability and impact on the country as well as on Europe remain to be seen. At 1.3 %, the GDP forecast for Italy in 2018 continues to be at the lower end of the scale in Europe, in spite of the gradually falling unemployment figures and recent growth in domestic demand creating positive impulses.

Spain also had a change of government recently. Here again, it is not yet clear as to whether it will provide stability due to its lack of a political majority. Nevertheless, despite this uncertainty, the country's economy is expected to grow by 2.7 % this year. Unemployment has dropped significantly and robust domestic demand is having a positive impact, although a somewhat more restrictive public spending policy is holding down growth.

In the UK, uncertainty caused by the imminent Brexit is having a dampening effect on the economy. Even two years after the initial referendum, a number of fundamental issues still need to be solved. Despite recent signs pointing to the prospect of a so-called "soft" Brexit, the probability of a "hard" Brexit remains high. For this reason, the UK economy is expected to lose further pace and grow by only 1.4 % in 2018.

In the second quarter, the conflict between the USA and its main trading partners further intensified. The hike in import duties on steel and aluminium levied by the USA was promptly followed by retaliatory measures taken by the countries affected, most recently culminating in additional duties of 25 % being levied not only on goods imported into the US from China, but also those going in the other direction, valued at 34 billion US dollars on each side. The USA is generally expected to take further measures and a tit-for-tat response is highly likely. Furthermore, additional duties are currently being considered on automobiles imported into the USA, particularly from Europe. Any increase in the severity of this trade dispute could cause a significant slowdown in global economic growth.

The US economy is currently still in excellent shape. The tax reform adopted at the end of last year seems to be having at least a mildly positive impact and the US Federal Reserve continues to be very cautious when it comes to raising interest rates. The very low level of unemployment and strong consumer confidence are powerful drivers of growth and market forecasts for 2018 have meanwhile climbed to 2.8 %, regardless of the political turbulence surrounding trade.

The Chinese economy remains on the course set by the country's government, despite the high degree of risk and the imminent threat of an escalating trade dispute. Economic growth in China is generally expected to run at 6.5 % in 2018, its greatest challenge being the high level of debt, mostly of a corporate nature, even though the situation has not worsened. Moreover, a major drop in the continually rising property prices could cause turbulence on financial markets as well as an economic downturn in China.

Japan has been unable to maintain the strong growth recorded in 2017 and the country's economy is only likely to grow by 1.1 % this year, despite conditions remaining good thanks to robust domestic demand and good export figures on the back of a weak yen.

India has overcome the economic distortions it faced in the wake of the banknote changeover and the tax reform and has meanwhile turned the corner to a path of higher growth. This year, the Indian economy is expected to benefit from strong domestic demand and GDP growth of 7.3 %.

The economic situation in Russia is recovering sluggishly from recession and is likely to grow by only 1.7 %. However, above all, the price of oil has meanwhile risen quite considerably, bolstering the Russian economy to a certain degree. In Brazil, too, economic recovery continues to be slow. Domestic demand has gathered pace, but the uncertain outcome of the elections in October continues to be a source of uncertainty.

International automobile markets

Overall, the world's automobile markets are expected to grow by 1.1% in 2018. Momentum is expected to come from the BRIC countries and other emerging markets as well as from individual markets in Europe. By contrast, markets in the USA, Japan and UK are forecast to contract.

Despite the generally positive economic situation, Europe's automobile market as a whole is only predicted to move sideways over the course of 2018 (15.8 million units; +1.1%), mainly due to a further sharp decline in new registrations in the UK.

Demand on the German automobile market is expected to increase by 1.7% to 3.5 million units in the current year. In France, by contrast, a slight decline is likely to be seen, with forecasts pointing to demand for the full year decreasing to 2.1 million units (–0.5%). New registrations in Italy are predicted to decrease slightly (2.0 million units; –2.0%) and increase sharply in Spain (1.3 million units; +7.1%). The UK automobile market is likely to experience another difficult year in 2018, with new registrations set to drop by a further 5.1% to 2.4 million units.

Consolidation on the US automobile market is expected to continue during the current year, with new registrations predicted to decline slightly by 0.8% to around 17.1 million units.

As the process of normalisation continues within the Chinese economy, growth rates for the automobile market are also likely to be lower than in the recent past. Forecasts for the current year point to an increase of 3.3% to 25.5 million units.

The Japanese market remains volatile. Despite the economic recovery, demand for passenger cars is set to drop by 2.7% to 4.9 million units in 2018.

Following recessions in both countries, automobile markets in Russia and Brazil are expected to benefit from pent-up demand in 2018 and therefore expected to grow strongly, albeit starting from a low base. Forecasts currently anticipate growth of 10.3% to 1.6 million units in Russia and growth of 9.6% to 2.0 million units in Brazil.

International motorcycle markets

The BMW Group forecasts are based on the assumption that worldwide motorcycle markets in the 250 cc plus class will develop over the remainder of the year in a similar fashion to the first six-month period, with individual markets also continuing to develop divergently. The positive trend in registrations in the major European markets of Germany, France, Italy and Spain is likely to continue, whereas the UK is likely to see demand remain more or less flat. Continuing the trend seen in recent years, the US motorcycle market could well experience a further contraction in the number of new registrations.

International interest rate environment and pre-owned vehicle prices

Within the eurozone, the ECB has announced its intention to reduce the monthly volume of bond purchasing from €30 billion to €15 billion with effect from September 2018. It will not purchase any additional bonds with effect from the start of 2019 and from then on only replace expiring bonds.

In the UK, the Bank of England has signalled that it will gradually raise the key interest rate as soon as the economy has stabilised.

In the USA, the US Federal Reserve is likely to raise the key interest rate further during the course of the year, assuming the economy continues to perform well.

In China, the focus of financial policies will remain on safeguarding the country's financial stability. Both the government and the central bank are expected to support this process with a combination of economic and monetary measures.

With prices remaining flat, the Japanese central bank is set to maintain its expansive monetary policy.

The BMW Group expects first half-year trends in pre-owned vehicle prices in the premium segment to continue during the second half of the year. Due to the ongoing debate on potential driving bans for diesel-powered vehicles in certain countries, pre-owned vehicle prices will probably continue to fall slightly in Europe. Prices in North America are expected to vary depending on the market segment, although the pre-owned vehicle segment remains slightly tense. Pre-owned vehicle markets in Asia are expected to remain stable.

Outlook for the BMW Group

The application of International Financial Reporting Standards IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) is mandatory for the BMW Group with effect from 1 January 2018. While application of IFRS 15 requires adjusted comparative figures for the financial year 2017, no such adjustment is required in the case of IFRS 9. In order to ensure a transparent presentation of changes in key financial performance indicators, the outlook shows values adjusted in accordance with IFRS 15 as well as those actually reported for 2017. With regard to key financial performance indicators for 2018, the outlook is based on values for 2017 adjusted in accordance with IFRS 15. Further information on IFRS 15 and IFRS 9 is provided in → notes 5 and 6 to the Interim Group Financial Statements.

→ see notes 5 and 6

Group

Profit before tax expected at previous year's level

Even though competition on international automobile markets is set to remain intense, the BMW Group intends to continue its strong business performance in 2018. Notable contributions are likely to come from a variety of new vehicles as well as successful established models. At the same time, investments in important future-oriented projects remain high, including the continued electrification of vehicles, digitalisation and autonomous driving. The BMW Group's production network will also be further enlarged during the outlook period. Due to these challenges, Group profit before tax is expected to be in line with the previous year's level (2017 adjusted: €10,675[1] million).

The BMW Group and the Daimler Group plan to merge their mobility services business units in a joint venture and strategically grow their combined business going forward. The two companies signed an agreement to this effect in March 2018. Each of the two groups will hold a 50 % stake in the joint venture.

Subject to approval by antitrust authorities during the current year, the foundation of the joint venture will give rise to a one-off valuation and earnings impact on the Group Financial Statements of BMW AG, which will result in an adjustment to the outlook, namely that profit before tax at Group level for 2018 will be expected to increase slightly year-on-year. The effect described above has no impact on the EBIT margin of the Automotive segment.

[1] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Workforce size at year-end: slight increase expected

Based on current forecasts, the size of the BMW Group's workforce is expected to increase only slightly (2017: 129,932 employees). Above all, projects relating to vehicle electrification and autonomous driving, growth in the automobile and motorcycle business and the expansion of financial and mobility services remain the focus of recruiting efforts.

Automotive segment

Deliveries to customers: slight increase expected

The BMW Group expects a further year-on-year increase in deliveries of BMW, MINI and Rolls-Royce brand vehicles and again aims to occupy a leading position in the global premium segment in 2018. Balanced growth in major sales regions will help to offset volatility in individual markets. Assuming political and economic conditions do not deteriorate, deliveries to customers are forecast to rise slightly to a new high (2017: 2,463,526[2] units).

[2] Including the joint venture BMW Brilliance Automotive, Ltd., Shenyang (2017: 384,124 units).

The BMW 6 Series Gran Turismo, the new BMW X3 (both launched in November 2017) and the BMW X2 (available since March 2018) are just three of the vehicles expected to make key contributions to sustained growth. In addition to the extended-wheelbase version of the BMW 5 Series, the BMW X3, which has been produced in China for the local market since the end of the second quarter of 2018, will also provide additional momentum. Later this year, the new BMW X4, the new BMW i8 Roadster (BMW i8 Roadster: fuel consumption in l/100 km (combined) 2.0//CO_2 emissions in g/km (combined) 46//Electric power consumption in kWh/100 km (combined) 14.5) as well as the model revisions of the BMW 2 Series Active Tourer and Gran Tourer and the BMW i8 Coupé (BMW i8 Coupé: fuel consumption in 1/100 km (combined) 1.8//CO_2 emissions in g/km (combined) 42//Electric power consumption in kWh/100 km (combined) 14.0) will go on sale. The new BMW 8 Series Coupé will also be launched. The brand's new top model was presented to the public in June. The new BMW X5 will also provide positive impetus towards the end of the year. Model revisions of the MINI Hatch (3- and 5-door) and MINI Convertible should boost demand. The new Rolls-Royce Phantom models were launched in January 2018.

Fleet carbon dioxide emissions[1]: slight decrease expected
The BMW Group is continuing in its efforts to reduce both fuel consumption and CO_2 emissions. Moreover, the percentage of electrified vehicles in the total number of deliveries is expected to increase. Accordingly, CO_2 emissions across the vehicle fleet as a whole are expected to decrease slightly during the outlook period, continuing the trend seen in previous years (2017: 122 grams CO_2/km).

The disclosures made in the Annual Report 2017 relating to carbon fleet emissions for the year 2017 are based on the NEDC (New European Driving Cycle) testing cycle. As part of the conversion to the new WLTP (Worldwide Harmonized Light Vehicles Test Procedure) testing cycle, all automobile manufacturers are required by law to register all vehicles in their fleet by September 2018. The conversion to the new WLTP test procedure for the BMW Group's fleet is proceeding according to plan and has been largely completed.

In order to improve the comparability of fleet emission values for the 2018 financial year with those of the previous year – with effect from the quarterly report to 30 June 2018 – the BMW Group is therefore reporting a WLTP-adjusted value of 128 g CO_2/km for the new testing cycle for the year 2017. On the basis of the adjusted value, the BMW Group continues to expect CO_2 emissions to decrease slightly.

Revenues: slight increase expected
Sales volume growth in the Automotive segment will have a corresponding impact on revenues. Accordingly, a slight increase in segment revenues is forecast for 2018 (2017 adjusted: €85,742[2] million).

EBIT margin in target range between 8 and 10% expected
The EBIT margin is again expected to be within a range of 8 to 10 % for the Automotive segment (2017 adjusted: 9.2[2] %).

Return on capital employed[3]: significant decrease expected
Segment RoCE is forecast to be significantly below the previous year's level (2017 adjusted: 77.7[2] %). The decrease is partially attributable to increasing investments in the electrification of the vehicle fleet, digitalisation and the expansion and renewal of the model portfolio. However, the long-term target RoCE of at least 26 % for the Automotive segment will be significantly exceeded.

In view of the introduction of IFRS 16 (Leases) as of 1 January 2019, the future significance of RoCE as a performance indicator, as opposed to an operational management tool, is under review.

[1] EU-28.

[2] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Motorcycles segment

Deliveries to customers: slight increase expected
The BMW Group expects business in the Motorcycles segment to develop positively in the second half of 2018. The renewal of the product range in the previous year, together with a variety of new models, including some specifically aimed at the urban environment, should all have a positive impact.

Due to the ramp-up situation connected with various model changes in the Motorcycles segment, production was down year-on-year in the first half year of 2018. Lower production output during this phase will also impact the supply of products to the dealer organisation during the current year.

With effect from the first quarter of 2018, the Motorcycles segment is forecast to achieve a slight increase in deliveries (2017: 164,153 units). In the Annual Report 2017, a solid increase was expected.

EBIT margin in target range between 8 and 10% expected
The segment EBIT margin in 2018 is expected to lie within the target range between 8 and 10 % (2017: 9.1 %).

Return on capital employed[3]: in line with last year's level expected
The Motorcycles segment RoCE in 2018 is expected to come in at a similar level to the previous year (2017: 34.0 %). In the Annual Report 2017, it had been predicted that RoCE would increase slightly. The outlook for segment RoCE has been revised due to the ramp-up situation described above. The long-term target RoCE of 26 % for the Motorcycles segment is still expected to be surpassed.

Financial Services segment

Return on equity[4]: slight decrease expected
The BMW Group expects the Financial Services segment to continue performing well in 2018. As stated in the Annual Report 2017, the Financial Services segment will require additional equity capital going forward in view of increasing regulatory requirements worldwide. Accordingly, segment RoE is expected to decrease slightly (2017: 18.1 %). In this context, with effect from the 2018 financial year, the sustainable target return was changed from its former level of at least 18 % to its current level of at least 14 %.

[3] RoCE in the Automotive and Motorcycles segments is measured on the basis of relevant segment profit before financial result and the average amount of capital employed in the segment concerned. Capital employed corresponds to the sum of all current and non-current operational assets, less liabilities that do not incur interest.
[4] RoE in the Financial Services segment is calculated as segment profit before taxes, divided by the average amount of equity capital attributable to the Financial Services segment balance sheet.

Overall assessment by Group management

Business is expected to develop steadily in the financial year 2018, with significant contributions coming from new automobile and motorcycle models as well as the expansion of individual mobility-related services. Due to the challenges described above, Group profit before tax is expected to be in line with that of last year. Automotive segment revenues are set to grow slightly, based on the forecast of higher deliveries to customers. At the same time, fleet carbon dioxide emissions are forecast to decrease slightly. The Group's targets are to be met with a slight increase in the size of the workforce. The Automotive segment's EBIT margin in 2018 is set to remain within the target range of between 8 and 10 %, while its RoCE is forecast to drop significantly. A slight decrease is also forecast for the RoE in the Financial Services segment. However, both performance indicators will be above their long-term targets of 26 % (RoCE) and 14 % (RoE) respectively. Deliveries to customers by the Motorcycles segment are forecast to show a slight increase, with an EBIT margin within the target range of between 8 and 10 % and RoCE in line with last year's level.

Depending on the political and economic situation and the outcomes of the risks and opportunities described in the Annual Report 2017, actual business performance could differ from current expectations. Trade policy developments in particular are being closely and continually monitored. Any new findings will be promptly taken into account in corporate planning.

BMW Group key performance indicators

→ 34

		2017 reported	2017 adjusted[1]	2018 Outlook[2]
GROUP				
Profit before tax	€ million	10,655	10,675	in line with last year's level
Workforce at year-end		129,932	129,932	slight increase
AUTOMOTIVE SEGMENT				
Deliveries to customers[3]	units	2,463,526	2,463,526	slight increase
Fleet emissions[4]	g CO_2 / km	122	128[5]	slight decrease
Revenues	€ million	88,581	85,742	slight increase
EBIT margin	%	8.9	9.2	between 8 and 10
Return on capital employed	%	78.6	77.7	significant decrease
MOTORCYCLES SEGMENT				
Deliveries to customers	units	164,153	164,153	slight increase
EBIT margin	%	9.1	9.1	between 8 and 10
Return on capital employed	%	34.0	34.0	in line with last year's level
FINANCIAL SERVICES SEGMENT				
Return on equity	%	18.1	18.1	slight decrease

[1] Prior year financial figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.
[2] Based on adjusted figures.
[3] Including the joint venture BMW Brilliance Automotive Ltd., Shenyang (2017: 384,124 units).
[4] EU-28.
[5] Value based on planned conversion to WLTP

RISKS AND OPPORTUNITIES

As a globally operating enterprise, the BMW Group is constantly confronted with a broad range of risks, but also with numerous opportunities. The Group's success is based on making full use of the opportunities that present themselves. In order to achieve growth, profitability, efficiency and continued sustainable activity going forward, the BMW Group must consciously assume a certain amount of risk. There have been no material changes to the overall risk profile compared to that described in the Group Management Report 2017. Further information on risks and opportunities, as well as on the methods employed to manage them can also be found in the "Report on Risks and Opportunities" section of the Annual Report 2017 (pp. 96).

INTERIM GROUP FINANCIAL STATEMENTS

3

BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

Income Statements for Group and Segments for the period from 1 April to 30 June

→ 35

in € million	Note	Group		Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)	
		2018	2017*	2018	2017*	2018	2017*
Revenues	7	25,023	25,765	22,192	22,165	658	695
Cost of sales	8	–19,935	–20,230	–18,300	–17,712	–496	–528
Gross profit		5,088	5,535	3,892	4,453	162	167
Selling and administrative expenses	9	–2,339	–2,339	–1,944	–1,950	–63	–64
Other operating income	10	115	156	120	165	–	2
Other operating expenses	10	–118	–420	–149	–424	–1	–1
Profit / loss before financial result		2,746	2,932	1,919	2,244	98	104
Result from equity accounted investments	11	182	139	182	139	–	–
Interest and similar income	12	36	46	82	72	–	–
Interest and similar expenses	12	–71	–88	–107	–112	–1	–1
Other financial result	13	–20	29	–14	48	–1	–
Financial result		127	126	143	147	–2	–1
Profit / loss before tax		2,873	3,058	2,062	2,391	96	103
Income taxes	14	–784	–841	–567	–650	–29	–26
Profit from continuing operations		2,089	2,217	1,495	1,741	67	77
Loss from discontinued operations	2	–7	–	–7	–	–	–
Net profit / loss		2,082	2,217	1,488	1,741	67	77
Attributable to minority interest		25	20	7	6	–	–
Attributable to shareholders of BMW AG		2,057	2,197	1,481	1,735	67	77
Basic earnings per share of common stock in €	15	3.13	3.34				
Basic earnings per share of preferred stock in €	15	3.14	3.35				
Dilutive effects	15	–	–				
Diluted earnings per share of common stock in €	15	3.13	3.34				
Diluted earnings per share of preferred stock in €	15	3.14	3.35				

Statement of Comprehensive Income for Group for the period from 1 April to 30 June

→ 36

in € million	Note	2018	2017*
Net profit		2,082	2,217
Remeasurement of the net liability for defined benefit pension plans		137	452
Deferred taxes		–12	–133
Items not expected to be reclassified to the income statement in the future		125	319
Marketable securities (at fair value through other comprehensive income)		–30	31
Financial instruments used for hedging purposes		–614	2,043
Costs of hedging		–173	–
Other comprehensive income from equity accounted investments		–35	26
Deferred taxes		258	–634
Currency translation foreign operations		304	–747
Items that can be reclassified to the income statement in the future		–290	719
Other comprehensive income for the period after tax	16	–165	1,038
Total comprehensive income		1,917	3,255
Total comprehensive income attributable to minority interest		25	20
Total comprehensive income attributable to shareholders of BMW AG		1,892	3,235

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
2018	2017	2018	2017	2018	2017*	
7,141	7,044	1	1	–4,969	–4,140	Revenues
–6,217	–6,109	–	–	5,078	4,119	Cost of sales
924	**935**	**1**	**1**	**109**	**–21**	**Gross profit**
–327	–331	–7	–1	2	7	Selling and administrative expenses
23	5	32	32	–60	–48	Other operating income
–13	–21	–19	–24	64	50	Other operating expenses
607	**588**	**7**	**8**	**115**	**–12**	**Profit / loss before financial result**
–	–	–	–	–	–	Result from equity accounted investments
1	5	276	279	–323	–310	Interest and similar income
–3	–3	–270	–246	310	274	Interest and similar expenses
–	–1	–5	–18	–	–	Other financial result
–2	**1**	**1**	**15**	**–13**	**–36**	**Financial result**
605	**589**	**8**	**23**	**102**	**–48**	**Profit / loss before tax**
–129	–143	–2	–3	–57	–19	Income taxes
476	**446**	**6**	**20**	**45**	**–67**	**Profit from continuing operations**
–	–	–	–	–	–	Loss from discontinued operations
476	**446**	**6**	**20**	**45**	**–67**	**Net profit / loss**
18	13	–	1	–	–	Attributable to minority interest
458	**433**	**6**	**19**	**45**	**–67**	**Attributable to shareholders of BMW AG**
						Basic earnings per share of common stock in €
						Basic earnings per share of preferred stock in €
						Dilutive effects
						Diluted earnings per share of common stock in €
						Diluted earnings per share of preferred stock in €

BMW GROUP INCOME STATEMENT STATEMENT OF COMPREHENSIVE INCOME

Income Statements for Group and Segments for the period from 1 January to 30 June

→ 37

in € million	Note	Group 2018	Group 2017*	Automotive (unaudited supplementary information) 2018	Automotive (unaudited supplementary information) 2017*	Motorcycles (unaudited supplementary information) 2018	Motorcycles (unaudited supplementary information) 2017*
Revenues	7	47,717	49,691	41,518	42,166	1,182	1,315
Cost of sales	8	–37,765	–39,170	–33,959	–33,998	–888	–969
Gross profit		**9,952**	**10,521**	**7,559**	**8,168**	**294**	**346**
Selling and administrative expenses	9	–4,514	–4,517	–3,754	–3,770	–119	–117
Other operating income	10	312	329	320	305	1	2
Other operating expenses	10	–271	–580	–325	–582	–1	–2
Profit / loss before financial result		**5,479**	**5,753**	**3,800**	**4,121**	**175**	**229**
Result from equity accounted investments	11	405	490	405	490	–	–
Interest and similar income	12	74	107	163	166	–	–
Interest and similar expenses	12	–174	–186	–240	–234	–1	–1
Other financial result	13	254	74	215	133	–	–
Financial result		**559**	**485**	**543**	**555**	**–1**	**–1**
Profit / loss before tax		**6,038**	**6,238**	**4,343**	**4,676**	**174**	**228**
Income taxes	14	–1,648	–1,747	–1,212	–1,316	–52	–63
Profit from continuing operations		**4,390**	**4,491**	**3,131**	**3,360**	**122**	**165**
Loss from discontinued operations	2	–7	–	–7	–	–	–
Net profit / loss		**4,383**	**4,491**	**3,124**	**3,360**	**122**	**165**
Attributable to minority interest		45	30	13	6	–	–
Attributable to shareholders of BMW AG		**4,338**	**4,461**	**3,111**	**3,354**	**122**	**165**
Basic earnings per share of common stock in €	15	6.60	6.79				
Basic earnings per share of preferred stock in €	15	6.61	6.80				
Dilutive effects	15	–	–				
Diluted earnings per share of common stock in €	15	6.60	6.79				
Diluted earnings per share of preferred stock in €	15	6.61	6.80				

Statement of Comprehensive Income for Group for the period from 1 January to 30 June

→ 38

in € million	Note	2018	2017*
Net profit		**4,383**	**4,491**
Remeasurement of the net liability for defined benefit pension plans		497	911
Deferred taxes		–113	–256
Items not expected to be reclassified to the income statement in the future		**384**	**655**
Marketable securities (at fair value through other comprehensive income)		–13	33
Financial instruments used for hedging purposes		–628	1,516
Costs of hedging		–419	–
Other comprehensive income from equity accounted investments		–77	28
Deferred taxes		360	–484
Currency translation foreign operations		197	–696
Items that can be reclassified to the income statement in the future		**–580**	**397**
Other comprehensive income for the period after tax	16	**–196**	**1,052**
Total comprehensive income		**4,187**	**5,543**
Total comprehensive income attributable to minority interest		45	30
Total comprehensive income attributable to shareholders of BMW AG		**4,142**	**5,513**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

	Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
	2018	2017	2018	2017	2018	2017*	
	13,815	14,090	3	3	–8,801	–7,883	Revenues
	–12,010	–12,263	–	–	9,092	8,060	Cost of sales
	1,805	**1,827**	**3**	**3**	**291**	**177**	**Gross profit**
	–631	–631	–14	–13	4	14	Selling and administrative expenses
	26	36	65	77	–100	–91	Other operating income
	–24	–40	–38	–55	117	99	Other operating expenses
	1,176	**1,192**	**16**	**12**	**312**	**199**	**Profit / loss before financial result**
	–	–	–	–	–	–	Result from equity accounted investments
	2	6	525	554	–616	–619	Interest and similar income
	–5	–5	–509	–497	581	551	Interest and similar expenses
	–7	–9	46	–50	–	–	Other financial result
	–10	**–8**	**62**	**7**	**–35**	**–68**	**Financial result**
	1,166	**1,184**	**78**	**19**	**277**	**131**	**Profit / loss before tax**
	–287	–296	–24	–1	–73	–71	Income taxes
	879	**888**	**54**	**18**	**204**	**60**	**Profit from continuing operations**
	–	–	–	–	–	–	Loss from discontinued operations
	879	**888**	**54**	**18**	**204**	**60**	**Net profit / loss**
	32	23	–	1	–	–	Attributable to minority interest
	847	**865**	**54**	**17**	**204**	**60**	**Attributable to shareholders of BMW AG**
							Basic earnings per share of common stock in €
							Basic earnings per share of preferred stock in €
							Dilutive effects
							Diluted earnings per share of common stock in €
							Diluted earnings per share of preferred stock in €

BMW GROUP BALANCE SHEET

in € million	Note	Group			Automotive (unaudited supplementary information)		Motorcycles (unaudited supplementary information)	
		30.6.2018	1.1.2018[1]	31.12.2017[2]	30.6.2018	31.12.2017[2]	30.6.2018	31.12.2017
ASSETS								
Intangible assets	17	9,524	9,464	9,464	9,045	8,981	65	57
Property, plant and equipment	18	18,238	18,471	18,471	17,842	18,050	367	388
Leased products	19	36,781	36,257	36,257	–	–	–	–
Investments accounted for using the equity method	20	2,863	2,769	2,769	2,863	2,769	–	–
Other investments	20	762	690	690	5,033	4,985	–	–
Receivables from sales financing	21	49,918	48,475	48,321	–	–	–	–
Financial assets	22	1,456	2,369	2,369	682	1,302	–	–
Deferred tax		1,954	1,965	1,993	3,305	2,857	–	–
Other assets	24	1,815	1,630	1,630	4,049	3,671	32	32
Non-current assets		**123,311**	**122,090**	**121,964**	**42,819**	**42,615**	**464**	**477**
Inventories	25	15,286	12,707	12,707	14,662	12,103	599	580
Trade receivables		3,140	2,663	2,667	2,756	2,354	138	160
Receivables from sales financing	21	32,888	32,087	32,113	–	–	–	–
Financial assets	22	7,275	7,949	7,965	5,321	5,578	–	–
Current tax	23	2,583	1,566	1,566	969	714	–	–
Other assets	24	7,987	7,485	7,485	23,518	23,124	1	5
Cash and cash equivalents		8,597	9,039	9,039	6,435	7,157	15	8
Assets held for sale		441	–	–	441	–	–	–
Current assets		**78,197**	**73,496**	**73,542**	**54,102**	**51,030**	**753**	**753**
Total assets		**201,508**	**195,586**	**195,506**	**96,921**	**93,645**	**1,217**	**1,230**
EQUITY AND LIABILITIES								
Subscribed capital	26	658	658	658				
Capital reserves	26	2,084	2,084	2,084				
Revenue reserves	26	53,094	50,993	50,815				
Accumulated other equity	26	–555	37	114				
Equity attributable to shareholders of BMW AG	26	**55,281**	**53,772**	**53,671**				
Minority interest	26	488	436	436				
Equity		**55,769**	**54,208**	**54,107**	**38,249**	**39,361**	**–**	**–**
Pension provisions	27	2,709	3,252	3,252	2,269	2,405	65	69
Other provisions	28	5,838	5,632	5,632	5,392	5,175	91	101
Deferred tax		3,375	2,166	2,157	1,773	1,456	–	–
Financial liabilities	30	58,613	53,521	53,548	854	832	–	–
Other liabilities	31	4,665	5,045	5,045	7,363	6,506	484	487
Non-current provisions and liabilities		**75,200**	**69,616**	**69,634**	**17,651**	**16,374**	**640**	**657**
Other provisions	28	6,018	6,367	6,367	5,381	5,710	105	99
Current tax	29	984	1,124	1,124	750	874	–	–
Financial liabilities	30	39,020	41,097	41,100	1,164	947	–	–
Trade payables		10,048	9,731	9,731	8,818	8,516	368	355
Other liabilities	31	14,449	13,443	13,443	24,888	21,863	104	119
Liabilities in conjunction with assets held for sale		20	–	–	20	–	–	–
Current provisions and liabilities		**70,539**	**71,762**	**71,765**	**41,021**	**37,910**	**577**	**573**
Total equity and liabilities		**201,508**	**195,586**	**195,506**	**96,921**	**93,645**	**1,217**	**1,230**

[1] The figures to 1 January 2018 have been adjusted, based on the first-time application of IFRS 15 and IFRS 9, see notes 5 and 6.
[2] Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

Financial Services (unaudited supplementary information)		Other Entities (unaudited supplementary information)		Eliminations (unaudited supplementary information)		
30.6.2018	31.12.2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017[2]	
						ASSETS
413	425	1	1	–	–	Intangible assets
29	33	–	–	–	–	Property, plant and equipment
44,648	44,285	–	–	–7,867	–8,028	Leased products
–	–	–	–	–	–	Investments accounted for using the equity method
1	2	7,213	7,160	–11,485	–11,457	Other investments
49,918	48,321	–	–	–	–	Receivables from sales financing
161	176	702	1,089	–89	–198	Financial assets
442	442	47	130	–1,840	–1,436	Deferred tax
3,580	3,082	32,166	26,628	–38,012	–31,783	Other assets
99,192	**96,766**	**40,129**	**35,008**	**–59,293**	**–52,902**	**Non-current assets**
25	24	–	–	–	–	Inventories
244	152	2	1	–	–	Trade receivables
32,888	32,113	–	–	–	–	Receivables from sales financing
1,335	1,531	771	1,163	–152	–307	Financial assets
754	55	860	797	–	–	Current tax
5,622	5,331	45,655	45,963	–66,809	–66,938	Other assets
2,102	1,856	45	18	–	–	Cash and cash equivalents
–	–	–	–	–	–	Assets held for sale
42,970	**41,062**	**47,333**	**47,942**	**–66,961**	**–67,245**	**Current assets**
142,162	**137,828**	**87,462**	**82,950**	**–126,254**	**–120,147**	**Total assets**
						EQUITY AND LIABILITIES
						Subscribed capital
						Capital reserves
						Revenue reserves
						Accumulated other equity
						Equity attributable to shareholders of BMW AG
						Minority interest
14,029	**14,740**	**21,852**	**18,102**	**–18,361**	**–18,096**	**Equity**
75	72	300	706	–	–	Pension provisions
355	356	–	–	–	–	Other provisions
5,150	4,302	44	38	–3,592	–3,639	Deferred tax
17,668	17,819	40,180	35,095	–89	–198	Financial liabilities
33,544	28,835	696	198	–37,422	–30,981	Other liabilities
56,792	**51,384**	**41,220**	**36,037**	**–41,103**	**–34,818**	**Non-current provisions and liabilities**
523	549	9	9	–	–	Other provisions
223	233	11	17	–	–	Current tax
26,212	24,853	11,796	15,607	–152	–307	Financial liabilities
853	849	9	11	–	–	Trade payables
43,530	45,220	12,565	13,167	–66,638	–66,926	Other liabilities
–	–	–	–	–	–	Liabilities in conjunction with assets held for sale
71,341	**71,704**	**24,390**	**28,811**	**–66,790**	**–67,233**	**Current provisions and liabilities**
142,162	**137,828**	**87,462**	**82,950**	**–126,254**	**–120,147**	**Total equity and liabilities**

BMW GROUP CASH FLOW STATEMENT

Condensed Cash Flow Statement for the period from 1 January to 30 June

→ 39

	Group	
in € million	2018	2017*
Net profit	4,383	4,491
Loss from discontinued operations	7	–
Depreciation and amortisation of tangible, intangible and investment assets	2,504	2,349
Change in provisions	–246	164
Change in leased products and receivables from sales financing	–1,947	–3,987
Change in deferred taxes	1,322	606
Changes in working capital	–2,563	–1,592
Other	–788	–113
Cash inflow/outflow from operating activities	**2,672**	**1,918**
Total investment in intangible assets and property, plant and equipment	–2,549	–2,403
Net investment in marketable securities and investment funds	128	132
Other	14	1
Cash inflow/outflow from investing activities	**–2,407**	**–2,270**
Cash inflow/outflow from financing activities	**–707**	**–123**
Effect of exchange rate on cash and cash equivalents	**25**	**–155**
Effect of changes in composition of Group on cash and cash equivalents	**–25**	**65**
Change in cash and cash equivalents	**–442**	**–565**
Cash and cash equivalents as at 1 January	9,039	7,880
Cash and cash equivalents as at 30 June	**8,597**	**7,315**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

	Automotive (unaudited supplementary information)		Financial Services (unaudited supplementary information)	
	2018	2017*	2018	2017
Net profit	3,124	3,360	879	888
Loss from discontinued operations	7	–	–	–
Depreciation and amortisation of tangible, intangible and investment assets	2,440	2,290	17	18
Change in provisions	–213	–10	10	–17
Change in leased products and receivables from sales financing	–	–	–2,103	–4,154
Change in deferred taxes	210	646	668	87
Changes in working capital	–2,509	–1,423	–82	115
Other	1,360	–470	–2,006	–983
Cash inflow/outflow from operating activities	**4,419**	**4,393**	**–2,617**	**–4,046**
Total investment in intangible assets and property, plant and equipment	–2,512	–2,363	–2	–4
Net investment in marketable securities and investment funds	–40	171	138	–13
Other	37	5	4	–
Cash inflow/outflow from investing activities	**–2,515**	**–2,187**	**140**	**–17**
Cash inflow/outflow from financing activities	**–2,600**	**–1,761**	**2,697**	**3,085**
Effect of exchange rate on cash and cash equivalents	**–1**	**13**	**26**	**–102**
Effect of changes in composition of Group on cash and cash equivalents	**–25**	**–**	**–**	**65**
Change in cash and cash equivalents	**–722**	**458**	**246**	**–1,015**
Cash and cash equivalents as at 1 January	7,157	4,794	1,856	3,046
Cash and cash equivalents as at 30 June	**6,435**	**5,252**	**2,102**	**2,031**

BMW GROUP STATEMENT OF CHANGES IN EQUITY

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
31 December 2017 (as originally reported)	26	**658**	**2,084**	**51,256**
Effect from the first-time application of IFRS 15		–	–	–441
31 December 2017 (adjusted according to IFRS 15)		**658**	**2,084**	**50,815**
Effects from the first-time application of IFRS 9		–	–	178
1 January 2018 (adjusted according to IFRS 9)		**658**	**2,084**	**50,993**
Net profit		–	–	4,338
Other comprehensive income for the period after tax		–	–	384
Comprehensive income at 30 June 2018		**–**	**–**	**4,722**
Dividend payments		–	–	–2,630
Other changes		–	–	9
30 June 2018	26	**658**	**2,084**	**53,094**

in € million	Note	Subscribed capital	Capital reserves	Revenue reserves
1 January 2017 (as originally reported)	26	**657**	**2,047**	**44,445**
Effects from the first-time application of IFRS 15		–	–	–409
1 January 2017 (adjusted according to IFRS 15)		**657**	**2,047**	**44,036**
Net profit*		–	–	4,461
Other comprehensive income for the period after tax		–	–	655
Comprehensive income at 30 June 2017 (adjusted according to IFRS 15)		**–**	**–**	**5,116**
Dividend payments		–	–	–2,300
Other changes		–	–	29
30 June 2017*	26	**657**	**2,047**	**46,881**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5 to the Interim Group Financial Statements.

	Accumulated other equity							
	Translation differences	Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total	
	–1,494	**93**	**1,515**	**–**	**54,112**	**436**	**54,548**	**31 December 2017 (as originally reported)**
	–	–	–	–	–441	–	**–441**	Effect from the first-time application of IFRS 15
	–1,494	**93**	**1,515**	**–**	**53,671**	**436**	**54,107**	**31 December 2017 (adjusted according to IFRS 15)**
	–	–82	–	5	101	–	101	Effects from the first-time application of IFRS 9
	–1,494	**11**	**1,515**	**5**	**53,772**	**436**	**54,208**	**1 January 2018 (adjusted according to IFRS 9)**
	–	–	–	–	4,338	45	**4,383**	Net profit
	227	–	–403	–404	–196	–	**–196**	Other comprehensive income for the period after tax
	227	**–**	**–403**	**–404**	**4,142**	**45**	**4,187**	**Comprehensive income at 30 June 2018**
	–	–	–	–	–2,630	–	**–2,630**	Dividend payments
	–	–	–12	–	–3	7	**4**	Other changes
	–1,267	**11**	**1,100**	**–399**	**55,281**	**488**	**55,769**	**30 June 2018**

	Accumulated other equity							
	Translation differences	Securities	Derivative financial instruments	Costs of hedging	Equity attributable to shareholders of BMW AG	Minority interest	Total	
	–171	**52**	**78**	**–**	**47,108**	**255**	**47,363**	**1 January 2017 (as originally reported)**
	–	–	–	–	–409	–	**–409**	Effects from the first-time application of IFRS 15
	–171	**52**	**78**	**–**	**46,699**	**255**	**46,954**	**1 January 2017 (adjusted according to IFRS 15)**
	–	–	–	–	4,461	30	**4,491**	Net profit*
	–831	31	1,197	–	1,052	–	**1,052**	Other comprehensive income for the period after tax
	–831	**31**	**1,197**	**–**	**5,513**	**30**	**5,543**	**Comprehensive income at 30 June 2017 (adjusted according to IFRS 15)**
	–	–	–	–	–2,300	–	**–2,300**	Dividend payments
	–	–	–	–	29	–38	**–9**	Other changes
	–1,002	**83**	**1,275**	**–**	**49,941**	**247**	**50,188**	**30 June 2017***

NOTES TO THE GROUP FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES AND POLICIES

01
Basis of preparation

The consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft (BMW Group Financial Statements or Group Financial Statements) at 31 December 2017 were drawn up in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU), and the supplementary requirements of § 315 e (1) of the German Commercial Code (HGB). The Interim Group Financial Statements (Interim Report) at 30 June 2018, which have been prepared in accordance with International Accounting Standard (IAS) 34 (Interim Financial Reporting), have been drawn up using, in all material respects, the same accounting methods as those utilised in the 2017 Group Financial Statements. Changes resulting from the first-time application of IFRS 15 and IFRS 9 are presented in → notes 5 and 6. The BMW Group applies the option of publishing condensed group financial statements. All Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which were mandatory at 30 June 2018 have been applied. The Interim Report also complies with German Accounting Standard No. 16 (GAS 16) – Interim Financial Reporting – issued by the German Accounting Standards Committee e.V. (GASC).

→ see notes 5 and 6

Further information regarding the Group's accounting principles and policies is contained in the BMW Group Financial Statements at 31 December 2017.

The Group currency is the euro. All amounts are disclosed in millions of euros (€ million) unless stated otherwise.

The BMW Group and segment income statements are presented using the cost of sales method.

In order to provide a better insight into the net assets, financial position and performance of the BMW Group, and going beyond the requirements of IFRS 8 (Operating Segments), the Group Financial Statements also include balance sheets and income statements for the Automotive, Motorcycles, Financial Services and Other Entities segments. The Group Cash Flow Statement is supplemented by the statements of cash flows for the Automotive and Financial Services segments. Inter-segment transactions relate primarily to internal sales of products, the provision of funds for Group companies and the related interest. These items are eliminated in the relevant "Eliminations" columns. More detailed information regarding the allocation of activities of the BMW Group to segments and a description of the segments is provided in the explanatory notes to segment information in the BMW Group Financial Statements at 31 December 2017.

The Interim Group Financial Statements at 30 June 2018 have been reviewed by the Group auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

02 Group reporting entity

The BMW Group Financial Statements for the first half-year 2018 include BMW AG and all material subsidiaries over which BMW AG – either directly or indirectly – exercises control. This also includes 54 structured entities used exclusively in conjunction with the BMW Group's asset-backed financing arrangements or as special purpose funds.

The following changes took place in the Group reporting entity during the first six months of 2018:

	Germany	Foreign	Total
Included at 31 December 2017	21	187	**208**
Included for the first time in 2018	2	8	**10**
No longer included in 2018	–	6	**6**
Included at 30 June 2018	**23**	**189**	**212**

The BMW Group previously maintained the joint ventures DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, together with Sixt SE, Pullach. DriveNow offers car-sharing services in major German cities and abroad. In January 2018, the BMW Group signed an agreement with Sixt SE for the complete acquisition of the shares in DriveNow.

Following approval by the antitrust authorities and with effect from 9 March 2018, the BMW Group acquired the remaining 50 % of the shares of the DriveNow companies together with their subsidiaries – for a purchase price of €209 million. The purchase was financed by the transfer of cash funds. The acquisition expands the BMW Group's strategic options for the further development of mobility services.

DriveNow GmbH & Co. KG and DriveNow Vewaltungs GmbH and their foreign subsidiaries DriveNow Austria GmbH, Vienna, DriveNow UK Limited, London, DriveNow Sverige AB, Stockholm, DriveNow Belgium S.p.r.l., Brussels, and DriveNow Italy S.r.l., Milan, were fully consolidated for the first time in the first half-year 2018.

DriveNow's equity prior to the acquisition stood at a negative amount of €2 million. As a result of the step acquisition, the shares already held by BMW were remeasured to their fair value, giving rise to a gain of €209 million, which was reported as part of the result on investments, based on a total fair value of €209 million.

The following table shows the purchase price allocation:

in € million	Fair values at acquisition date
IDENTIFIED ASSETS	
Intangible assets	111
Trademark rights	22
Deferred tax assets	23
Trade receivables	9
Other receivables	7
Inventories	1
Cash and cash equivalents	5
IDENTIFIED LIABILITIES	
Provisions	16
Trade payables	5
Other liabilities	3
Total identified net assets	**154**
GOODWILL CALCULATION	
Consideration transferred (purchase price)	418
Total identified net assets	154
Goodwill	**264**

On 28 March 2018, the BMW Group signed an agreement with the Daimler Group regarding the merger of certain business units that provide mobility services. It is planned to combine and strategically expand the existing on-demand mobility offering in the areas of car sharing, ride-hailing, parking, charging and multi-modality, with the customer able to access an holistic ecosystem of intelligent, seamlessly connected mobility services. The aim is to become a leading provider of innovative mobility services.

In future, the BMW Group and the Daimler Group will each hold a 50 % stake in the newly founded joint venture, comprising both companies' mobility services. The contract has been signed subject to examination and approval by the relevant antitrust agencies. If approved by the antitrust agencies during the current year, the foundation of the joint venture will have a one-off valuation and earnings effect on the BMW Group Financial Statements, which will be recorded primarily by the Automotive segment. The BMW Group expects the joint venture to be established within the next twelve months.

Assets and liabilities totalling €441 million and €20 million respectively are reported as discontinued operations at 30 June 2018. These items are disclosed separately in the Group Balance Sheet and allocated to the Automotive segment. The loss after tax from discontinued operations for the period ended 30 June 2018 amounted to €7 million. This amount is also disclosed separately in the Income Statements for the Group and Segments.

In December 2017, BMW AG, Audi AG, Ingolstadt, and Daimler AG, Stuttgart, signed agreements to sell shares in THERE Holding B.V., Amsterdam, (THERE) to Robert Bosch Investment Nederland B.V., Boxtel, and to Continental Automotive Holding Netherlands B.V., Maastricht. Each of the parties acquired 5.9 % of the shares, which were sold in equal parts by BMW AG, Audi AG and Daimler AG. The transactions were completed during the first quarter of 2018. The sale did not have a significant impact on the results of operations, financial position and net assets of the BMW Group.

Together with SGL Carbon SE, Wiesbaden, companies of the BMW Group were previously party to joint operations that manufactured carbon fibres and carbon fibre cores used in vehicle production. In November 2017, an agreement was signed with SGL Carbon SE concerning that entity's step-by-step acquisition of the BMW Group's 49 % shareholding. Accordingly, between the beginning of 2018 and the end of 2020 at the latest, SGL Carbon SE will become the sole owner of the current joint operations. As a consequence of the transaction, the joint operations are no longer consolidated in the BMW Group Financial Statements on a proportionate basis with effect from the beginning of the financial year 2018.

The other changes to the Group reporting entity do not have a material impact on the results of operations, financial position or net assets of the Group.

03 Foreign currency translation

The exchange rates applied for currency translation purposes in accordance with the modified closing rate method, and which have a material impact on the Group Financial Statements, were as follows:

	Closing rate		Average rate	
1 Euro =	30.6.2018	31.12.2017	1 January to 30 June 2018	1 January to 30 June 2017
US-Dollar	**1.17**	1.20	**1.21**	1.08
British Pound	**0.88**	0.89	**0.88**	0.86
Chinese Renminbi	**7.71**	7.80	**7.71**	7.45
Japanese Yen	**128.93**	134.93	**131.56**	121.72
Korean Won	**1,298.44**	1,281.41	**1,301.92**	1,235.74

Further information regarding foreign currency translation is provided in note 3 to the Group Financial Statements at 31 December 2017.

04
Financial reporting rules

(a) Standards and Revised Standards significant for the BMW Group and applied for the first time in the first half-year:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU
IFRS 15	Revenue from Contracts with Customers	28.5.2014 11.9.2015 12.4.2016	1.1.2018	1.1.2018
IFRS 9	Financial Instruments	24.7.2014	1.1.2018	1.1.2018

Changes due to the new accounting standards IFRS 15 and IFRS 9 are described in → notes 5 and 6.

→ see notes 5 and 6

(b) Financial reporting pronouncements issued by the IASB that are significant for the BMW Group, but have not yet been applied:

Standard / Interpretation		Date of issue by IASB	Date of mandatory application IASB	Date of mandatory application EU
IFRS 16	Leases	13.1.2016	1.1.2019	1.1.2019

During the first half-year 2018, there have been no significant changes in the assessment of the impact of IFRS 16 (which has not yet been applied).

For details, please see the comments in the Group Financial Statements at 31 December 2017.

05 First-time application of IFRS 15

The new Standard **IFRS 15 (Revenue from Contracts with Customers)** assimilates all the various existing requirements and Interpretations relating to revenue recognition into a single Standard. It also stipulates uniform revenue recognition principles for all sectors and all categories.

In accordance with the transitional provisions contained in IFRS 15, the BMW Group is applying the new requirements for revenue from contracts with customers in the 2018 financial year using the full retrospective option. For this reason, the opening balance sheet at 1 January 2017, the figures reported for the previous year and the balance sheet at 31 December 2017 have been adjusted and made comparable. The exemption provision, allowing contracts fulfilled prior to 1 January 2017 not to be newly assessed in accordance with IFRS 15, was applied.

Revenue recognition from contracts with customers is based on a five-stage model. Revenues are required to be recognised either over time or at a specific point in time. A major difference to the previous Standard is the increased scope of discretion for estimates and the introduction of thresholds, thus influencing the amount and timing of revenue recognition.

Accounting for buyback arrangements and rights of return for vehicles sold, but which the Financial Services segment will subsequently lease to customers, results in the earlier recognition of intragroup eliminations. The adoption of IFRS 15 results in a retrospective decrease in Group equity at 1 January 2017 amounting to €498 million, net of deferred tax amounting to €239 million (31 December 2017: reduction of revenue reserves by €553 million, net of deferred tax amounting to €192 million). The lower amount of deferred tax at 31 December 2017 results from the reduction of the US federal corporate tax rate. The earlier date for consolidating intragroup transactions also results in the recognition of assets and liabilities relating to rights of return, causing other current assets and other current liabilities to increase. The changes did not have a significant impact on earnings in the first half-year 2018.

In accordance with IFRS 15, costs incurred for sales promotion measures in the Automotive segment, such as sales support or residual value subsidies, are required to be treated as variable components of consideration and therefore have the effect of reducing revenue. Variable consideration is measured on the basis of the amount of consideration to which the BMW Group expects to be entitled. Some of these costs were previously reported as cost of sales. The change in classification in the income statement results in a decrease in both revenues and cost of sales.

For the financial year 2017, the retrospective reclassification recorded by the Automotive segment amounted to €2.9 billion, which did not, however, have a significant impact at Group level.

If the sale of products includes a determinable amount for services ("multiple-component contracts"), the related revenues are deferred and recognised as income over time. Variable consideration to be received for multi-component contracts is allocated across all service obligations unless it is directly attributable to the sale of the vehicle. As a result of the change in accounting policy for multi-component contracts with variable consideration components, changes in the allocation of transaction prices result for the Automotive segment in higher amounts being recognised for vehicle sales and a lower level of amounts deferred for service contracts. The shift in the timing of revenue recognition resulted in a retrospective increase in Group revenue reserves at 1 January 2017 of €89 million, net of deferred taxes of €38 million (31 December 2017: increase in Group revenue reserves of €112 million, net of deferred taxes of €42 million). The changes did not have a significant impact on earnings in the first half-year 2018.

As a result of the retrospective adjustments described above, the Automotive segment EBIT margin increased by 0.4 percentage points to 9.8 % for the first half-year 2017 and by 0.3 percentage points to 9.2 % for the full year 2017.

A different accounting treatment may be required if buyback arrangements are in place with customers, resulting in a shift in the timing of revenue recognition. The resulting impact was not significant.

Buyback arrangements between the Automotive and Financial Services segments are not reflected in the internal management system or reporting and therefore, in accordance with IFRS 8, do not result in any changes in the presentation of segment information.

The following tables show the impact on the balance sheets at 1 January 2017 and 31 December 2017, as well as on the income statement, the statement of comprehensive income and the cashflow statement for the financial year 2017:

BMW Group change in presentation of balance sheet at 1 January 2017

→ 40

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
ASSETS			
Total non-current assets	**121,671**	**222**	**121,893**
thereof investments accounted for using the equity method	2,546	2	2,548
thereof deferred tax	2,327	226	2,553
thereof other non-current assets	1,595	–6	1,589
Total current assets	**66,864**	**1,509**	**68,373**
thereof other current assets	5,087	1,509	6,596
Total assets	**188,535**	**1,731**	**190,266**
EQUITY AND LIABILITIES			
Total equity	**47,363**	**–409**	**46,954**
thereof equity attributable to shareholders of BMW AG	47,108	–409	46,699
thereof revenue reserves	44,445	–409	44,036
Total non-current provisions and liabilities	**73,183**	**–100**	**73,083**
thereof other non-current provisions	5,039	155	5,194
thereof deferred tax	2,795	26	2,821
thereof other liabilities	5,357	–281	5,076
Total current provisions and liabilities	**67,989**	**2,240**	**70,229**
thereof other non-current provisions	5,879	37	5,916
thereof other liabilities	10,198	2,203	12,401
Total equity and liabilities	**188,535**	**1,731**	**190,266**

BMW Group change in presentation of balance sheet at 31 December 2017

→ 41

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
ASSETS			
Total non-current assets	**121,901**	**63**	**121,964**
thereof investments accounted for using the equity method	2,767	2	2,769
thereof deferred tax	1,927	66	1,993
thereof other non-current assets	1,635	–5	1,630
Total current assets	**71,582**	**1,960**	**73,542**
thereof other current assets	5,525	1,960	7,485
Total assets	**193,483**	**2,023**	**195,506**
EQUITY AND LIABILITIES			
Total equity	**54,548**	**–441**	**54,107**
thereof equity attributable to shareholders of BMW AG	54,112	–441	53,671
thereof revenue reserves	51,256	–441	50,815
Total non-current provisions and liabilities	**69,888**	**–254**	**69,634**
thereof other non-current provisions	5,437	195	5,632
thereof deferred tax	2,241	–84	2,157
thereof other liabilities	5,410	–365	5,045
Total current provisions and liabilities	**69,047**	**2,718**	**71,765**
thereof other non-current provisions	6,313	54	6,367
thereof other liabilities	10,779	2,664	13,443
Total equity and liabilities	**193,483**	**2,023**	**195,506**

BMW Group change in presentation of income statement for the period from 1 January to 30 June 2017

→ 42

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
Revenues	49,247	444	49,691
Cost of sales	– 38,904	– 266	– 39,170
Gross profit	10,343	178	10,521
Profit / loss before financial result	5,575	178	5,753
Profit / loss before tax	6,060	178	6,238
Income taxes	–1,697	– 50	–1,747
Net profit / loss	4,363	128	4,491
Attributable to shareholders of BMW AG	4,333	128	4,461
Basic earnings per share of common stock in €	6.59	0.20	6.79
Basic earnings per share of preferred stock in €	6.60	0.20	6.80
Diluted earnings per share of common stock in €	6.59	0.20	6.79
Diluted earnings per share of preferred stock in €	6.60	0.20	6.80

BMW Group change in presentation of statement of comprehensive income for the period from 1 January to 30 June 2017

→ 43

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
Net profit	4,363	128	4,491
Total comprehensive income	5,415	128	5,543
Total comprehensive income attributable to shareholders of BMW AG	5,385	128	5,513

BMW Group change in presentation of cash flow statement for the period from 1 January to 30 June 2017

→ 44

in € million	As originally reported	Adjustment IFRS 15	Adjusted according to IFRS 15
Net profit	4,363	128	4,491
Change in provisions	127	37	164
Change in deferred taxes	556	50	606
Other	102	– 215	– 113
Cash inflow/outflow from operating activities	**1,918**	**–**	**1,918**

The effects of the first-time application of IFRS 15 on equity are shown in the Statement of Changes in Equity.

06
First-time application of IFRS 9

The new requirements contained in **IFRS 9 (Financial Instruments)** relating to the classification and measurement of financial instruments are being applied retrospectively by the BMW Group in the financial year 2018. The available exemption not to adjust comparative information for previous periods has been applied. Accordingly, only the opening balance sheet at 1 January 2018 has been adjusted. Apart from a small number of exceptions, the requirements for hedge accounting are being applied prospectively in the financial year 2018. The one exception to this is hedge accounting for the fair value of a portfolio against interest rate risk, for which the requirements of IAS 39 will continue to be applied.

In accordance with the new requirements of IFRS 9, the BMW Group classifies financial instruments into the following categories: "at amortised cost", "at fair value through other comprehensive income" and "at fair value through profit or loss". All equity instruments held at the date of the adoption of the Standard were classified at fair value through profit or loss.

IFRS 9 introduces a new model for determining impairment based on expected credit losses. In accordance with this model, valuation allowances for expected credit losses are recognised on financial assets classified at amortised cost or at fair value through other comprehensive income. Expected credit losses are updated at each balance sheet date on the basis of available information.

Valuation allowances on receivables from sales financing are determined primarily on the basis of past experience with credit losses, current data on overdue receivables, rating classes and scoring information. Forward-looking information (e.g. forecasts of economic performance indicators) is also taken into account if, based on past experience, such indicators show a substantive correlation with actual credit losses.

The BMW Group applies the general approach described in IFRS 9 to receivables from sales financing that do not result from operating leases. Impairment allowances on these receivables are measured on initial recognition on the basis of the expected 12-month credit loss. If, at subsequent balance sheet dates, the credit loss risk has increased significantly since the date of initial recognition, the impairment allowance is measured on the basis of lifetime expected credit losses. In line with the general approach, an impairment allowance is also recognised for receivables with impaired creditworthiness, measured on the basis of lifetime expected credit losses. The BMW Group generally assumes creditworthiness is impaired if a receivable is more than 90 days overdue.

The BMW Group applies the simplified approach described in IFRS 9 to operating lease receivables and trade receivables, whereby the amount of the impairment allowance of a receivable is measured subsequent to initial recognition on the basis of lifetime expected credit losses.

Cross currency basis spreads are not designated as part of the hedging relationship in the case of interest rate hedges accounted for as fair value hedges. Accordingly, changes in the market value of such instruments are recorded as costs of hedging within accumulated other equity. Amounts recorded in equity are reclassified to the income statement over the term of the hedging relationship.

The time value of option transactions and the interest component of the forward currency contracts are not designated as part of the hedging relationship in the case of currency and commodity hedges accounted for as cash flow hedges. Changes in the market value of such components are recorded as costs of hedging within accumulated other equity. As a result of the application of IFRS 9, most commodity hedging contracts are recognised directly in equity in accordance with hedge accounting rules. Amounts recorded in accumulated other equity are included on initial recognition in the carrying amounts of inventories of raw materials, supplies and goods for resale. In the case of currency hedges, amounts recorded in accumulated other equity are reclassified within profit/loss before financial result at the same time that the hedged item has an earnings impact.

The following table shows the reconciliation of the categories and carrying amounts of financial instruments as well as the impact on Group equity of the first-time application of IFRS 9.

BMW Group reclassification of financial instruments at 1 January 2018

→ 45

	Category		Carrying amount	
in € million	IAS 39	IFRS 9	IAS 39	IFRS 9
FINANCIAL ASSETS				
Other investments	Available-for-sale	Fair value through profit or loss	366	395
	Fair value option		29	
Receivables from sales financing	Loans and receivables	At amortised cost	80,434	80,562
Financial assets				
Derivative instruments				
Cash flow hedges	Hedge accounting	Hedge accounting	2,187	2,187
Fair value hedges	Hedge accounting	Hedge accounting	814	814
Other derivative instruments	Held for trading	Fair value through profit or loss	1,340	1,340
Marketable securities and investment funds	Available-for-sale	Fair value through profit or loss	5,447	790
		Fair value directly through equity		3,919
		At amortised cost		730
Loans to third parties	Loans and receivables	At amortised cost	112	112
	Fair value option	Fair value through profit or loss	2	2
Credit card receivables	Loans and receivables	At amortised cost	248	240
Other	Loans and receivables	At amortised cost	184	184
Cash and cash equivalents	Cash	At amortised cost	9,039	8,407
		Fair value through profit or loss		632
Trade receivables	Loans and receivables	At amortised cost	2,667	2,663
Other assets				
Receivables from subsidiaries	Loans and receivables	At amortised cost	276	276
Receivables from companies in which an investment is held	Loans and receivables	At amortised cost	1,334	1,334
Collateral assets	Cash	At amortised cost	219	219
	Available-for-sale	Fair value directly through equity	97	97
Other assets	Loans and receivables	At amortised cost	1,108	1,108
Total financial assets			**105,903**	**106,011**
FINANCIAL LIABILITIES				
Financial liabilities	Other liabilities	At amortised cost	94,648	94,618
Trade payables	Other liabilities	At amortised cost	9,731	9,731
Other liabilities	Other liabilities	At amortised cost	6,822	6,822
Total financial liabilities			**111,201**	**111,171**
Total impact on equity				

	Differences through		Equity effects				
	new measurement category	change of evaluation measurement	Deferred taxes	Accumulated other equity	Revenue reserves	Note	
							FINANCIAL ASSETS
	–	–	–	–76	76	a)	Other investments
	–	–	–	–	–	b)	
	–	128	–35	–	93	c)	Receivables from sales financing
							Financial assets
							Derivative instruments
	–	–	–	–	–		Cash flow hedges
	–	–	–	5	–5	d)	Fair value hedges
	–	–	–	–	–		Other derivative instruments
	–	–	–	–2	2	e)	Marketable securities and investment funds
	–	–	–	2	–2	f)	
	–8	–	2	–6	–	g)	
	–	–	–	–	–		Loans to third parties
	–	–	–	–	–	b)	
	–	–8	2	–	–6	c)	Credit card receivables
	–	–	–	–	–		Other
	–	–	–	–	–		Cash and cash equivalents
	–	–	–	–	–	h)	
	–	–4	1	–	–3	c)	Trade receivables
							Other assets
	–	–	–	–	–		Receivables from subsidiaries
	–	–	–	–	–		Receivables from companies in which an investment is held
	–	–	–	–	–		Collateral assets
	–	–	–	–	–		
	–	–	–	–	–		Other assets
	–8	**116**	**–30**	**–77**	**155**		**Total financial assets**
							FINANCIAL LIABILITIES
	–	–30	7	–	23	d)	Financial liabilities
	–	–	–	–	–		Trade payables
	–	–	–	–	–		Other liabilities
	–	**–30**	**7**	**–**	**23**		**Total financial liabilities**
				–77	**178**		**Total impact on equity**

The impact of the various changes arising in conjunction with the first-time application of IFRS 9 is explained below:

(a) Financial investments in equity instruments were reclassified to the category "at fair value through profit or loss". There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.

(b) Selected non-current marketable securities and non-current loans receivable from third parties, for which the fair value option available under IAS 39 was previously used, were reclassified to the category at fair value through profit or loss because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding. There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.

(c) Adjustment of impairment allowances in accordance with the new requirements of IFRS 9.

(d) The new accounting requirements for interest rate hedges reduce the carrying amount of financial liabilities designated as hedged items within a hedge relationship by €30 million and increase accumulated other equity by €5 million. At the date of adoption of the new requirements, revenue reserves increased by €18 million, net of deferred taxes.

(e) Specific investments in debt instruments were reclassified to the category at fair value through profit or loss because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding.

(f) Adjustment of the amount and presentation of impairment allowances in accordance with the new requirements of IFRS 9.

(g) Specific listed bonds were reclassified to the category "at amortised cost". At the date of first-time application of IFRS 9, the BMW Group uses a business model for these bonds, the objective of which is to collect contractual cash flows that solely represent payments of principal and interest on the principal amount outstanding. The market value of these instruments at 30 June 2018 amounted to €734 million (31 December 2017: €738 million).

(h) Some of the money market funds with a fixed net asset value were reclassified from cash to the category measured at fair value through profit or loss. They do not meet the criteria for measurement at amortised cost in accordance with IFRS 9 because their contractual cash flows do not solely represent payments of principal and interest on the principal amount outstanding. There was no difference between carrying amounts pursuant to IAS 39 and fair values at 1 January 2018.

The following table shows the adjustments made to impairment allowances in the Group Balance Sheet as a result of the first-time application of IFRS 9.

BMW Group reconciliation of impairment allowances

→ 46

in € million	Impairment allowance 31.12.2017 IAS 39	Adjustment to impairment allowance due to IFRS 9	Impairment allowances 1.1.2018 IFRS 9
Receivables from sales financing	–1,147	128	–1,019
Credit card receivables	–10	–8	–18
Trade receivables	–56	–4	–60
Marketable securities and investment funds	–	–2	–2
Total	**–1,213**	**114**	**–1,099**

NOTES TO THE INCOME STATEMENT

07
Revenues

Revenues by activity comprise the following:

in € million	2nd quarter 2018	2nd quarter 2017*	1 January to 30 June 2018	1 January to 30 June 2017*
Sales of products and related goods	17,946	18,793	34,068	35,752
Sales of products previously leased to customers	2,751	2,690	5,131	5,403
Income from lease instalments	2,410	2,475	4,791	4,967
Interest income on loan financing	932	939	1,837	1,876
Other income	984	868	1,890	1,693
Revenues	**25,023**	**25,765**	**47,717**	**49,691**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

An analysis of revenues by segment is shown in the segment information in → note 36. Revenues from the sale of products and related goods are generated primarily in the Automotive segment and, to a lesser extent, in the Motorcycles segment. Revenues from the sale of products previously leased to customers, income from lease instalments and interest income on loan financing are allocated to the Financial Services segment. Other income relates mainly to the Automotive segment and the Financial Services segment.

→ see note 36

08
Cost of sales

Cost of sales relate to the following items:

in € million	2nd quarter 2018	2nd quarter 2017*	1 January to 30 June 2018	1 January to 30 June 2017*
Manufacturing costs	11,147	11,352	20,493	21,592
Cost of sales relating to financial services business	5,887	5,847	11,380	11,758
Research and development expenses	1,322	1,113	2,610	2,298
thereof amortisation of capitalised development costs	324	287	656	591
Other cost of sales	1,579	1,918	3,282	3,522
Cost of sales	**19,935**	**20,230**	**37,765**	**39,170**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

Other cost of sales comprises mainly warranty expenses, service contracts, telemetrics and roadside assistance.

09
Selling and administrative expenses

in € million	2nd quarter 2018	2nd quarter 2017	1 January to 30 June 2018	1 January to 30 June 2017
Selling expenses	1,411	1,524	2,778	2,928
Administrative expenses	928	815	1,736	1,589
Selling and administrative expenses	**2,339**	**2,339**	**4,514**	**4,517**

Selling expenses comprise mainly marketing, advertising and sales personnel costs. Administrative expenses comprise mainly personnel and IT costs.

10
Other operating income and expenses

These items principally include exchange gains and losses, gains and losses on the disposal of assets, impairment losses, as well as income/expense from the reversal of and allocation to provisions, including provisions for legal risks and other litigation.

11
Result from equity accounted investments

Result from equity accounted investments includes results of the joint ventures BMW Brilliance Automotive Ltd., Shenyang, DriveNow GmbH & Co. KG, Munich, and DriveNow Verwaltungs GmbH, Munich, (up to and including 9 March 2018), the joint venture IONITY Holding GmbH & Co. KG, Munich, and the associated company THERE Holding B.V., Amsterdam.

12
Net interest result

in € million	2nd quarter 2018	2nd quarter 2017	1 January to 30 June 2018	1 January to 30 June 2017
Interest and similar income	36	46	74	107
Interest and similar expenses	–71	–88	–174	–186
Net interest result	**–35**	**–42**	**–100**	**–79**

13
Other financial result

in € million	2nd quarter 2018	2nd quarter 2017	1 January to 30 June 2018	1 January to 30 June 2017
Result on investments	–25	14	203	14
Sundry other financial result	5	15	51	60
Other financial result	**–20**	**29**	**254**	**74**

The result on investments for the first half-year 2018 comprises mainly fair value measurement gains arising on the acquisition of DriveNow shares. Further information is provided in → note 2.

→ see note 2

14 Income taxes

Taxes on income comprise the following:

in € million	2nd quarter 2018	2nd quarter 2017*	1 January to 30 June 2018	1 January to 30 June 2017*
Current tax expense	– 310	697	327	1,141
Deferred tax expense	1,094	144	1,321	606
Income taxes	**784**	**841**	**1,648**	**1,747**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

The effective tax rate for the six-month period to 30 June 2018 was 27.3 % (2017: 28.0 %) and corresponds to the best estimate of the weighted average annual income tax rate for the full year. This tax rate has been applied to the pre-tax profit for the period under report.

15 Earnings per share

The computation of earnings per share is based on the following figures:

		2nd quarter 2018	2nd quarter 2017*	1 January to 30 June 2018	1 January to 30 June 2017*
Profit attributable to shareholders of BMW AG	€ million	2,056.5	2,197.0	4,337.9	4,461.0
Profit attributable to common stock	€ million	1,882.1	2,012.2	3,970.6	4,086.3
Profit attributable to preferred stock	€ million	174.4	184.8	367.3	374.7
Average number of common stock shares in circulation	number	601,995,196	601,995,196	601,995,196	601,995,196
Average number of preferred stock shares in circulation	number	55,605,404	55,114,404	55,605,404	55,114,404
Basic earnings per share of common stock	€	**3.13**	**3.34**	**6.60**	**6.79**
Basic earnings per share of preferred stock	€	**3.14**	**3.35**	**6.61**	**6.80**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

In computing earnings per share of preferred stock, earnings to cover the additional dividend of €0.02 per share of preferred stock are spread over the four quarters of the corresponding financial year. Earnings per share of preferred stock are computed on the basis of the number of preferred stock shares entitled to receive a dividend in each of the relevant financial years. As in the previous year, diluted earnings per share correspond to basic earnings per share.

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

16
Disclosures relating to the statement of total comprehensive income

Other comprehensive income for the period after tax comprises the following:

in € million	2nd quarter 2018	2nd quarter 2017	1 January to 30 June 2018	1 January to 30 June 2017
Remeasurement of the net defined benefit liability for pension plans	137	452	497	911
Deferred taxes	–12	–133	–113	–256
Items not expected to be reclassified to the income statement in the future	**125**	**319**	**384**	**655**
Marketable securities (at fair value through other comprehensive income)	**–30**	**31**	**–13**	**33**
thereof gains / losses arising in the period under report	–13	30	15	36
thereof reclassifications to the income statement	–17	1	–28	–3
Financial instruments used for hedging purposes	**–614**	**2,043**	**–628**	**1,516**
thereof gains / losses arising in the period under report	–442	2,117	–308	1,434
thereof reclassifications to the income statement	–172	–74	–320	82
Costs of hedging	**–173**	**–**	**–419**	**–**
thereof gains / losses arising in the period under report	–222	–	–499	–
thereof reclassifications to the income statement	49	–	80	–
Other comprehensive income from equity accounted investments	**–35**	**26**	**–77**	**28**
Deferred taxes	**258**	**–634**	**360**	**–484**
Currency translation foreign operations	**304**	**–747**	**197**	**–696**
Items that can be reclassified to the income statement in the future	**–290**	**719**	**–580**	**397**
Other comprehensive income for the period after tax	**–165**	**1,038**	**–196**	**1,052**

Deferred taxes on components of other comprehensive income for the second quarter were as follows:

in € million	2nd quarter 2018 Before tax	2nd quarter 2018 Deferred taxes	2nd quarter 2018 After tax	2nd quarter 2017 Before tax	2nd quarter 2017 Deferred taxes	2nd quarter 2017 After tax
Remeasurement of the net defined benefit liability for pension plans	137	–12	125	452	–133	319
Marketable securities (at fair value through other comprehensive income)	–30	9	–21	31	–	31
Financial instruments used for hedging purposes	–614	186	–428	2,043	–590	1,453
Costs of hedging	–173	53	–120	–	–	–
Other comprehensive income from equity accounted investments	–35	10	–25	26	–44	–18
Currency translation foreign operations	304	–	304	–747	–	–747
Other comprehensive income	**–411**	**246**	**–165**	**1,805**	**–767**	**1,038**

Deferred taxes on components of other comprehensive income in the first half-year were as follows:

in € million	1 January to 30 June 2018 Before tax	1 January to 30 June 2018 Deferred taxes	1 January to 30 June 2018 After tax	1 January to 30 June 2017 Before tax	1 January to 30 June 2017 Deferred taxes	1 January to 30 June 2017 After tax
Remeasurement of the net defined benefit liability for pension plans	497	–113	384	911	–256	655
Marketable securities (at fair value through other comprehensive income)	–13	13	–	33	–2	31
Financial instruments used for hedging purposes	–628	199	–429	1,516	–441	1,075
Costs of hedging	–419	121	–298	–	–	–
Other comprehensive income from equity accounted investments	–77	27	–50	28	–41	–13
Currency translation foreign operations	197	–	197	–696	–	–696
Other comprehensive income	**–443**	**247**	**–196**	**1,792**	**–740**	**1,052**

Other comprehensive income relating to equity accounted investments is reported in the Group Statement of Changes in Equity in the columns "Translation differences" with a positive amount of €30 million (2017: negative amount of €135 million), "Derivative financial instruments" with a positive amount of €35 million (2017: positive amount of €122 million) and "Costs of hedging" with a negative amount of €142 million (2017: € – million).

NOTES TO THE BALANCE SHEET

17
Intangible assets

Intangible assets mainly comprise capitalised development costs on vehicle, module and architecture projects as well as subsidies for tool costs, licences, purchased development projects, software and purchased customer lists.

in € million	30.6.2018	31.12.2017
Capitalised development costs	8,555	8,409
Goodwill	380	380
thereof allocated to the Automotive cash-generating unit	33	33
thereof allocated to the Financial Services cash-generating unit	347	347
Other intangible assets	589	675
Intangible assets	**9,524**	**9,464**

Other intangible assets include a brand-name right amounting to €41 million (31 December 2017: €41 million), which is allocated to the Automotive segment and is not subject to scheduled amortisation since its useful life is deemed to be indefinite.

Intangible assets amounting to €41 million (31 December 2017: €41 million) are subject to restrictions on title.

Intangible assets developed during the first six months of the year as follows:

in € million	2018	2017
Capitalised development costs		
Additions	802	943
Amortisation	656	591
Other intangible assets		
Additions	33	27
Amortisation	97	96

As in the previous year, there was no requirement to recognise impairment losses or reversals of impairment losses on intangible assets.

18
Property, plant and equipment

Property, plant and equipment developed during the first six months as follows:

in € million	2018	2017
Additions	1,547	1,433
Depreciation	1,701	1,662
Disposals	9	8

No impairment losses were recognised during the first half-year 2018.

Purchase commitments for property, plant and equipment totalled €4,817 million (31 December 2017: €4,137 million).

19 Leased products

Leased products developed during the first six months of the year as follows:

in € million	2018	2017
Additions	8,459	8,908
Depreciation	1,756	1,701
Disposals	6,535	7,370

20 Investments accounted for using the equity method and other investments

Investments accounted for using the equity method comprise the joint ventures BMW Brilliance Automotive Ltd., Shenyang, and IONITY Holding GmbH & Co. KG, Munich, as well as the BMW Group's interests in the associated company THERE Holding B.V., Amsterdam.

Other investments relate to investments in non-consolidated subsidiaries, joints ventures, joint operations and associated companies, participations and non-current marketable securities.

21 Receivables from sales financing

Receivables from sales financing totalling €82,806 million (31 December 2017: €80,434 million) include credit financing for retail customers and dealerships and finance leases.

22 Financial assets

Financial assets comprise:

in € million	30.6.2018	31.12.2017
Marketable securities and investment funds	5,296	5,447
Derivative instruments	2,947	4,341
Credit card receivables	234	248
Loans to third parties	34	114
Other	220	184
Financial assets	**8,731**	**10,334**

23 Income tax assets

Income tax assets totalling €2,583 million (31 December 2017: €1,566 million) include €318 million (31 December 2017: €364 million), which is expected to be settled after more than twelve months. Depending on the timing of proceedings, such claims may also be settled at an earlier date.

24 Other assets

Other assets comprise:

in € million	30.6.2018	31.12.2017*
Return right assets for future leased products	2,499	1,962
Prepayments	2,142	2,018
Receivables from companies in which an investment is held	1,610	1,334
Other taxes	1,166	1,537
Expected reimbursement claims	890	847
Collateral assets	300	316
Receivables from subsidiaries	257	276
Sundry other assets	938	825
Other assets	**9,802**	**9,115**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

25 Inventories

Inventories comprise the following:

in € million	30.6.2018	31.12.2017
Finished goods and goods for resale	12,852	10,436
Work in progress, unbilled contracts	1,074	1,125
Raw materials and supplies	1,360	1,146
Inventories	**15,286**	**12,707**

26 Equity

The Group Statement of Changes in Equity is shown on → pages 50 and 51.

→ see pages 50 and 51

Subscribed capital

The number of shares of common stock issued by BMW AG at 30 June 2018 was 601,995,196 shares, each with a par value of €1, unchanged from 31 December 2017. The number of shares of preferred stock at that date was 55,605,404 shares, each with a par value of €1, unchanged from 31 December 2017. Unlike the common stock, no voting rights are attached to the preferred stock. Subscribed capital therefore stood at €658 million, unchanged from 31 December 2017. All of the Company's stock is issued to bearer. Preferred stock bears an additional dividend of €0.02 per share.

To date, 1,345,617 shares of preferred stock have been issued to employees. BMW AG is authorised to issue 5 million shares of non-voting preferred stock amounting to nominal €5.0 million prior to 14 May 2019. As a result, 3.7 million authorised shares and Authorised Capital amounting to €3.7 million remained available for issue at the end of the reporting period. No treasury shares were held at 30 June 2018.

Capital reserves

Capital reserves include premiums arising from the issue of shares and were unchanged from 31 December 2017 at €2,084 million.

Revenue reserves

Revenue reserves comprise the post-acquisition and non-distributed earnings of consolidated companies. In addition, remeasurements of the net defined benefit obligation for pension plans are also presented in revenue reserves.

During the first half of 2018, BMW AG paid the dividend for the financial year 2017 amounting to €2,408 million for common stock and €222 million for preferred stock.

Accumulated other equity

Accumulated other equity comprises all amounts recognised directly in equity resulting from the translation of the financial statements of foreign subsidiaries, changes in the fair value of derivative financial instruments and marketable securities, costs of hedging and the related deferred taxes.

Further information regarding the transition effects recognised in equity on the first-time application of IFRS 9 and IFRS 15 is provided in → notes 5 and 6.

→ see notes 5 and 6

27 Pension provisions

Pension provisions stood at €2,709 million (31 December 2017: €3,252 million). The remeasurement of the net liability reduced pension provisions in the first half-year 2018 by €497 million.

28 Other provisions

Other provisions consist of the following:

in € million	30.6.2018	31.12.2017*
Statutory and non-statutory warranty obligations, product guarantees	4,656	5,074
Obligations for personnel and social expenses	3,009	2,782
Other obligations for ongoing operational expenses	1,831	1,620
Other obligations	2,360	2,523
Other provisions	**11,856**	**11,999**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

Provisions for other obligations for ongoing operational expenses included other provisions for expected payment for bonuses and other price deductions.

29 Income tax liabilities

Income tax liabilities totalling €984 million (31 December 2017: €1,124 million) include €71 million (31 December 2017: €68 million), which is expected to be settled after more than twelve months. Depending on the timing of proceedings, some liabilities may be settled earlier than this.

Current income tax liabilities comprise €161 million (31 December 2017: €332 million) for taxes payable and €823 million (31 December 2017: €792 million) for tax provisions.

30
Financial liabilities

Financial liabilities of the BMW Group comprise the following:

in € million	30.6.2018	31.12.2017
Bonds	49,731	44,880
Asset backed financing transactions	17,298	16,855
Liabilities from customer deposits (banking)	13,772	13,572
Liabilities to banks	13,030	12,658
Commercial paper	1,354	4,461
Derivative instruments	1,336	1,090
Other	1,112	1,132
Financial liabilities	**97,633**	**94,648**

31
Other liabilities

Other liabilities comprise the following items:

in € million	30.6.2018	31.12.2017*
Deferred income	6,943	6,665
Refund liabilities for future leased products	3,461	2,807
Other taxes	1,059	935
Deposits received	863	856
Payables to other companies in which an investment is held	750	744
Advance payments from customers	664	1,056
Social security	103	98
Payables to subsidiaries	81	129
Sundry	5,190	5,198
Other liabilities	**19,114**	**18,488**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

Sundry other liabilities include mainly bonuses for services already performed as well as sales promotions, commission payables and credit balances on customers' accounts.

Deferred income includes liabilities for service contracts amounting to €3,621 million (31 December 2017: €3,658 million).

OTHER DISCLOSURES

32
Contingent liabilities

The following contingent liabilities existed at the balance sheet date:

in € million	30.6.2018	31.12.2017
Investment subsidies	282	399
Litigation	179	204
Performance guarantees	13	10
Other	430	203
Contingent liabilities	**904**	**816**

Other contingent liabilities comprise mainly risks relating to taxes and customs duties.

The BMW Group determines its best estimate of contingent liabilities on the basis of the information available at the date of preparation of the Group Financial Statements. This assessment may change over time and is adjusted regularly on the basis of new information and circumstances. Some of the risks are insured.

In June 2016, Germany's competition authority conducted searches at various carmakers and suppliers, including BMW AG, as part of an investigation into the purchase of steel. The investigations have not yet been completed. More extensive disclosures pursuant to IAS 37.86 cannot be provided at present.

In July 2017, cartel allegations against five German car manufacturers appeared in the press. Internal investigations were initiated by the BMW Group and have not yet been completed. In October 2017, the European Commission began an inspection at BMW Group. A number of class actions were brought in the USA and Canada. Possible risks for the BMW Group cannot be quantified at present; further disclosures pursuant to IAS 37.86 cannot be provided at present.

Regulatory authorities have ordered the BMW Group to recall various vehicle models that are fitted with airbags supplied by the Takata group of companies. Provision for the costs involved has been recognised within warranty provisions. In addition to the risks already covered by warranty provisions, it cannot be ruled out that further BMW Group vehicles will be affected by future recall actions. Further disclosures pursuant to IAS 37.86 cannot be provided at present.

33
Financial instruments

A description of the accounting treatment and measurement of derivative financial instruments and the allocation of recognised financial instruments to different measurement levels is provided in → note 6 of the Interim Group Financial Statements at 30 June 2018 and in notes 4 and 37 of the Group Financial Statements at 31 December 2017.

→ see note 6

Amounts are discounted at 30 June 2018 on the basis of the following interest rates:

in %	ISO Code EUR	USD	GBP	JPY	CNY
Interest rate for six months	–0.32	2.53	0.85	–0.20	4.92
Interest rate for one year	–0.25	2.58	0.88	0.02	3.99
Interest rate for five years	0.26	2.86	1.30	0.11	4.02
Interest rate for ten years	0.89	2.90	1.53	0.29	4.16

Interest rates taken from interest rate curves were adjusted, where necessary, to take account of the credit quality and risk of the underlying financial instrument.

The following table shows the amounts allocated to each measurement level at the end of the reporting period:

	30.6.2018		
	Level hierarchy in accordance with IFRS 13		
in € million	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral receivables	4,667	–	–
Other investments	235	–	207
Cash equivalents	–	715	–
Loans to third parties	–	–	1
Derivative instruments (assets)			
Interest rate risks	–	1,279	–
Currency risks	–	1,335	–
Raw materials price risks	–	329	–
Other risks	–	–	4
Derivative instruments (liabilities)			
Interest rate risks	–	891	–
Currency risks	–	315	–
Raw materials price risks	–	130	–

	31.12.2017		
	Level hierarchy in accordance with IFRS 13		
in € million	Level 1	Level 2	Level 3
Marketable securities, investment funds and collateral receivables – available-for-sale	5,544	–	–
Other investments – available-for-sale / fair value option	284	–	105
Cash equivalents	–	–	–
Loans to third parties	–	–	2
Derivative instruments (assets)			
Interest rate risks	–	1,797	–
Currency risks	–	2,008	–
Raw materials price risks	–	534	–
Other risks	–	–	2
Derivative instruments (liabilities)			
Interest rate risks	–	778	–
Currency risks	–	221	–
Raw materials price risks	–	91	–

The allocation to measurement levels at 30 June 2018 takes account of the reclassifications of financial instruments made in conjunction with the first-time application of IFRS 9 see → note 6. There were no reclassifications within the level hierarchy either in the financial year 2017 or in the first six months of 2018.

→ see note 6

Where the fair value was required for a financial instrument for disclosure purposes, the discounted cash flow method was used, taking account of the BMW Group's own default risk; for this reason, the fair values calculated can be allocated to Level 2.

Financial instruments recognised at fair value for which no market price is available are allocated to Level 3. Fair values are determined in accordance with the following table:

in € million	Fair value 30. 6. 2018	Valuation method	Input Parameter
Unquoted equity instruments	207	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
			Contractual rights by share class
Convertible bonds	1	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
			Contractual rights by share class
Options on unquoted equity instruments	4	Last financing round	Price per share
		Milestone analysis (quantitative and qualitative factors)	Company performance
		Consideration of exercise price	Contractual rights by share class
			Exercise price

Level 3 financial assets relate mainly to investments in a private equity fund. The private equity companies are valued on the basis of their net asset value which is determined using relevant information that is not available in the public domain. The fund manager assesses the underlying individual companies in accordance with the guidelines for international private equity and venture capital valuations (IPEV). A detailed listing and quantification of potential sensitivities of the input parameters is not considered meaningful in view of the valuation methodology applied. An increase in input parameters would normally also lead to a similar increase in valuation.

The balance sheet carrying amount of Level 3 financial instruments developed as follows:

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Financial Instruments Level 3
1. January 2018	111*	2	2	115
Additions	66	–	–	66
Disposals	–2	–1	–	–3
Gains (+) / losses (–) recognised in accumulated other equity	–	–	–	–
Gains (+) / losses (–) recognised in the income statement	26	–	2	28
Currency translation differences	6	–	–	6
30 June 2018	**207**	**1**	**4**	**212**

* Opening balance adjusted due to first-time application of IFRS 9.

in € million	Unquoted equity instruments	Convertible bonds	Options on unquoted equity instruments	Financial Instruments Level 3
1. January 2017	–	–	–	–
Additions	103	2	–	105
Disposals	–	–	–	–
Gains (+) / losses (–) recognised in accumulated other equity	8	–	–	8
Gains (+) / losses (–) recognised in the income statement	–	–	3	3
Currency translation differences	–6	–	–1	–7
31 December 2017	**105**	**2**	**2**	**109**

In the case of financial instruments held by the BMW Group which are not measured at fair value, the carrying amounts of such instruments correspond as a general rule to fair values. The following items are the main exceptions to this general rule:

in € million	30. 6. 2018		31. 12. 2017	
	Fair value	Carrying amount	Fair value	Carrying amount
Receivables from sales financing	**86,590**	**82,806**	83,853	80,434
Bonds	**50,159**	**49,731**	45,566	44,880

34
Related party relationships

Transactions of Group entities with related parties arise exclusively in the normal course of business of each of the parties concerned and are conducted at normal market conditions.

A significant proportion of the BMW Group's transactions with related parties relates to the joint venture BMW Brilliance Automotive Ltd., Shenyang.

in € million	Supplies and services performed		Supplies and services received		Receivables		Payables	
	2nd quarter 2018	2nd quarter 2017	2nd quarter 2018	2nd quarter 2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
BMW Brilliance Automotive Ltd.	1,892	1,454	22	18	1,431	1,333	747	739

in € million	Supplies and services performed		Supplies and services received		Receivables		Payables	
	1 January to 30 June 2018	1 January to 30 June 2017	1 January to 30 June 2018	1 January to 30 June 2017	30.6.2018	31.12.2017	30.6.2018	31.12.2017
BMW Brilliance Automotive Ltd.	3,471	2,769	41	32	1,431	1,333	747	739

Business relationships of the BMW Group with other associated companies and joint ventures as well as with non-consolidated subsidiaries are small in scale.

Stefan Quandt, Germany, is a shareholder and Deputy Chairman of the Supervisory Board of BMW AG. He is also the sole shareholder and Chairman of the Supervisory Board of DELTON AG, Bad Homburg v.d.H., which, via its subsidiaries, performed logistics-related services for the BMW Group during the first half-year 2018. In addition, companies of the DELTON Group acquired vehicles from the BMW Group by way of leasing.

Stefan Quandt, Germany, is also the indirect majority shareholder of SOLARWATT GmbH, Dresden. Cooperation arrangements are in place between BMW AG and SOLARWATT GmbH, Dresden, within the field of electric mobility. The focus of this collaboration is on providing complete photovoltaic solutions for rooftop systems and carports to BMW i customers. SOLARWATT GmbH, Dresden, leased vehicles from the BMW Group during the first six months of 2018.

Susanne Klatten, Germany, is a shareholder and member of the Supervisory Board of BMW AG and also a shareholder and Deputy Chairwoman of the Supervisory Board of ALTANA AG, Wesel. ALTANA AG, Wesel, acquired vehicles from the BMW Group during the first six months of 2018 by way of leasing.

Susanne Klatten, Germany, is also the sole shareholder and Chairwoman of the Supervisory Board of UnternehmerTUM GmbH, Garching. During the first six months of 2018, the BMW Group bought in services from UnternehmerTUM GmbH, Garching, primarily in the form of consultancy and workshop services.

In addition, Susanne Klatten, Germany, and Stefan Quandt, Germany, are indirectly sole shareholders of Entrust Datacard Corp., Shakopee, Minnesota. Stefan Quandt is also a member of the supervisory board of this entity. Entrust Datacard Corp., Shakopee, Minnesota, leased vehicles from the BMW Group during the first half-year 2018.

Seen from the perspective of BMW Group entities, the volume of transactions with the above-mentioned entities was as follows:

in € thousand	Supplies and services performed 2nd quarter 2018	Supplies and services performed 2nd quarter 2017	Supplies and services received 2nd quarter 2018	Supplies and services received 2nd quarter 2017	Receivables 30.6.2018	Receivables 31.12.2017	Payables 30.6.2018	Payables 31.12.2017
DELTON AG	881	861	5,751	6,952	46	94	2,178	4,464
SOLARWATT GmbH	7	63	–	–	–	5	1	–
ALTANA AG	512	507	–	–	199	360	–	36
UnternehmerTUM GmbH	54	32	440	414	54	–	406	255
Entrust Datacard Corp.	35	28	–	–	4	5	–	–

in € thousand	Supplies and services performed 1 January to 30 June 2018	Supplies and services performed 1 January to 30 June 2017	Supplies and services received 1 January to 30 June 2018	Supplies and services received 1 January to 30 June 2017	Receivables 30.6.2018	Receivables 31.12.2017	Payables 30.6.2018	Payables 31.12.2017
DELTON AG	1,774	1,717	11,546	17,358	46	94	2,178	4,464
SOLARWATT GmbH	13	154	1	–	–	5	1	–
ALTANA AG	1,019	1,022	–	–	199	360	–	36
UnternehmerTUM GmbH	54	32	558	582	54	–	406	255
Entrust Datacard Corp.	60	57	–	–	4	5	–	–

Apart from vehicle leasing and credit financing contracts concluded at normal market conditions, companies of the BMW Group have not entered into any contracts with members of the Board of Management or Supervisory Board of BMW AG. The same applies to close members of the families of those persons.

BMW Trust e.V., Munich, manages fund assets relating to pension obligations on a trustee basis and manages the accrued entitlements relating to pre-retirement part-time working arrangements in Germany and is therefore a related party of the BMW Group in accordance with IAS 24. This entity has no assets of its own. It had no income or expenses during the period under report. BMW AG bears expenses on an immaterial scale and performs services for BMW Trust e.V., Munich.

35 Events after the end of the reporting period

No events have occurred after the balance sheet date with a particular significance for the results of operations, financial position or net assets of the BMW Group.

SEGMENT INFORMATION

36
Explanatory notes to segment information

For information on the basis used for identifying and managing reportable segments, please refer to the Group Financial Statements at 31 December 2017.

Due to the management system, reported segment results and asset values are based on different performance measures. Details are provided in note 43 of the Group Financial Statements of BMW AG at 31 December 2017.

Segment information is prepared in conformity with the accounting policies used to prepare and present the Interim Group Financial Statements. Exceptions to this general principle include the treatment of inter-segment warranties, the earnings impact of which is allocated to the Automotive and Financial Services segments on the basis used internally to manage the business. In addition, intragroup repurchase agreements between the Automotive and Financial Services segments pursuant to IFRS 15, impairment allowances on intragroup receivables and changes in the value of consolidated other investments pursuant to IFRS 9 are also excluded.

Segment information by operating segment for the second quarter is as follows:

	Automotive		Motorcycles		Financial Services	
in € million	2018	2017*	2018	2017*	2018	2017
SEGMENT INFORMATION BY OPERATING SEGMENT						
External revenues	17,667	18,434	659	694	6,697	6,636
Inter-segment revenues	4,525	3,731	–1	1	444	408
Total revenues	**22,192**	**22,165**	**658**	**695**	**7,141**	**7,044**
Segment result	1,919	2,244	98	104	605	589
Result from equity accounted investments	182	139	–	–	–	–
Capital expenditure on non-current assets	1,046	1,333	20	27	6,184	6,030
Depreciation and amortisation on non-current assets	1,190	1,129	22	21	2,543	2,462

Segment information by operating segment for the first half-year is as follows:

	Automotive		Motorcycles		Financial Services	
in € million	2018	2017*	2018	2017*	2018	2017
SEGMENT INFORMATION BY OPERATING SEGMENT						
External revenues	33,580	35,092	1,183	1,314	12,953	13,284
Inter-segment revenues	7,938	7,074	–1	1	862	806
Total revenues	**41,518**	**42,166**	**1,182**	**1,315**	**13,815**	**14,090**
Segment result	3,800	4,121	175	229	1,166	1,184
Result from equity accounted investments	405	490	–	–	–	–
Capital expenditure on non-current assets	2,344	2,363	34	36	11,649	12,064
Depreciation and amortisation on non-current assets	2,390	2,290	46	41	4,985	4,784

	Automotive		Motorcycles		Financial Services	
in € million	30.6.2018	31.12.2017*	30.6.2018	31.12.2017	30.6.2018	31.12.2017
Segment assets	11,582	11,223	604	618	14,029	14,740
Investments accounted for using the equity method	2,863	2,769	–	–	–	–

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

SEGMENT INFORMATION BY OPERATING SEGMENT

	Other Entities		Reconciliation to Group figures		Group	
	2018	2017	2018	2017*	2018	2017*
External revenues	–	1	–	–	25,023	25,765
Inter-segment revenues	1	–	–4,969	–4,140	–	–
Total revenues	**1**	**1**	**–4,969**	**–4,140**	**25,023**	**25,765**
Segment result	8	23	243	98	2,873	3,058
Result from equity accounted investments	–	–	–	–	182	139
Capital expenditure on non-current assets	–	–	–1,713	–1,644	5,537	5,746
Depreciation and amortisation on non-current assets	–	–	–1,669	–1,526	2,086	2,086

SEGMENT INFORMATION BY OPERATING SEGMENT

	Other Entities		Reconciliation to Group figures		Group	
	2018	2017	2018	2017*	2018	2017*
External revenues	1	1	–	–	47,717	49,691
Inter-segment revenues	2	2	–8,801	–7,883	–	–
Total revenues	**3**	**3**	**–8,801**	**–7,883**	**47,717**	**49,691**
Segment result	78	19	819	685	6,038	6,238
Result from equity accounted investments	–	–	–	–	405	490
Capital expenditure on non-current assets	–	–	–3,186	–3,152	10,841	11,311
Depreciation and amortisation on non-current assets	–	–	–3,211	–3,065	4,210	4,050

	Other Entities		Reconciliation to Group figures		Group	
	30.6.2018	31.12.2017	30.6.2018	31.12.2017*	30.6.2018	31.12.2017*
Segment assets	79,625	75,121	95,668	93,804	201,508	195,506
Investments accounted for using the equity method	–	–	–	–	2,863	2,769

Segment figures for the second quarter can be reconciled to the corresponding Group figures as follows:

in € million	2018	2017*
Reconciliation of segment result		
Total for reportable segments	2,630	2,960
Financial result of Automotive segment and Motorcycles segment	141	146
Elimination of inter-segment items	102	–48
Group profit before tax	**2,873**	**3,058**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	7,250	7,390
Elimination of inter-segment items	–1,713	–1,644
Total Group capital expenditure on non-current assets	**5,537**	**5,746**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	3,755	3,612
Elimination of inter-segment items	–1,669	–1,526
Total Group depreciation and amortisation on non-current assets	**2,086**	**2,086**

Segment figures for the first half-year can be reconciled to the corresponding Group figures as follows:

in € million	2018	2017*
Reconciliation of segment result		
Total for reportable segments	5,219	5,553
Financial result of Automotive segment and Motorcycles segment	542	554
Elimination of inter-segment items	277	131
Group profit before tax	**6,038**	**6,238**
Reconciliation of capital expenditure on non-current assets		
Total for reportable segments	14,027	14,463
Elimination of inter-segment items	–3,186	–3,152
Total Group capital expenditure on non-current assets	**10,841**	**11,311**
Reconciliation of depreciation and amortisation on non-current assets		
Total for reportable segments	7,421	7,115
Elimination of inter-segment items	–3,211	–3,065
Total Group depreciation and amortisation on non-current assets	**4,210**	**4,050**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

Segment figures can be reconciled to the corresponding Group figures as follows:

in € million	30. 6. 2018	31. 12. 2017*
Reconciliation of segment assets		
Total for reportable segments	**105,840**	101,702
Non-operating assets – Other Entities segment	**7,837**	7,829
Total liabilities – Financial Services segment	**128,133**	123,088
Non-operating assets – Automotive and Motorcycles segments	**47,284**	47,973
Liabilities of Automotive and Motorcycles segments not subject to interest	**38,668**	35,061
Elimination of inter-segment items	**–126,254**	–120,147
Total Group assets	**201,508**	**195,506**

* Prior year figures adjusted due to first-time application of IFRS 15, see note 5.

Munich, 24 July 2018

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree　　Markus Duesmann

Klaus Fröhlich　　Pieter Nota

Dr. Nicolas Peter　　Peter Schwarzenbauer

Oliver Zipse

BMW GROUP RESPONSIBILITY STATEMENT BY THE COMPANY'S LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable principles for interim financial reporting, the Interim Group Financial Statements give a true and fair view of the net assets, financial position and results of operation of the Group in accordance with German principles of proper accounting, and the Interim Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, 24 July 2018

Bayerische Motoren Werke
Aktiengesellschaft

The Board of Management

Harald Krüger

Milagros Caiña Carreiro-Andree

Markus Duesmann

Klaus Fröhlich

Pieter Nota

Dr. Nicolas Peter

Peter Schwarzenbauer

Oliver Zipse

BMW GROUP REVIEW REPORT

To Bayerische Motoren Werke Aktiengesellschaft, Munich

We have reviewed the condensed interim consolidated financial statements of Bayerische Motoren Werke Aktiengesellschaft, Munich – comprising the income statement for group and the statement of comprehensive income for group, the balance sheet for group, the condensed cash flow statement for group, the group statement of changes in equity and selected explanatory notes, – together with the interim group management report of Bayerische Motoren Werke Aktiengesellschaft, Munich, for the period from 1 January to 30 June 2018, that are part of the semi-annual according to § 115 WpHG ("Wertpapierhandelsgesetz": "German Securities Trading Act"). The preparation of the condensed interim consolidated financial statements in accordance with International Accounting Standard IAS 34 "Interim Financial Reporting" as adopted by the EU, and of the interim group management report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the interim group management report based on our review.

We performed our review of the condensed interim consolidated financial statements and the interim group management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, and that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor's report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed interim consolidated financial statements have not been prepared, in material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU, or that the interim group management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Munich, 1 August 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Sailer	Feege
Wirtschaftsprüfer	Wirtschaftsprüfer

OTHER INFORMATION

4

FINANCIAL CALENDAR

2018

7 November 2018
Quarterly Report to 30 September 2018

2019

20 March 2019
Annual Report 2018

20 March 2019
Annual Accounts Press Conference

21 March 2019
Analyst and Investor Conference

7 May 2019
Quarterly Report to 31 March 2019

16 May 2019
Annual General Meeting

1 August 2019
Quarterly Report to 30 June 2019

6 November 2019
Quarterly Report to 30 September 2019

CONTACTS

Business and Finance Press

Telephone	+49 89 382-2 45 44
	+49 89 382-2 41 18
Fax	+49 89 382-2 44 18
E-mail	presse@bmwgroup.com

Investor Relations

Telephone	+49 89 382-3 16 84
	+49 89 382-2 53 87
Fax	+49 89 382-1 46 61
E-mail	ir@bmwgroup.com

The BMW Group on the Internet

Further information about the BMW Group is available online at → www.bmwgroup.com.
Investor Relations information is available directly at → www.bmwgroup.com/ir.
Information about the various BMW Group brands is available at → www.bmw.com, → www.mini.com and → www.rolls-roycemotorcars.com.

This version of the Annual Report is a translation from the German version. Only the original German version is binding.

PUBLISHED BY

Bayerische Motoren Werke
Aktiengesellschaft
80788 Munich
Germany
Telephone +49 89 382-0